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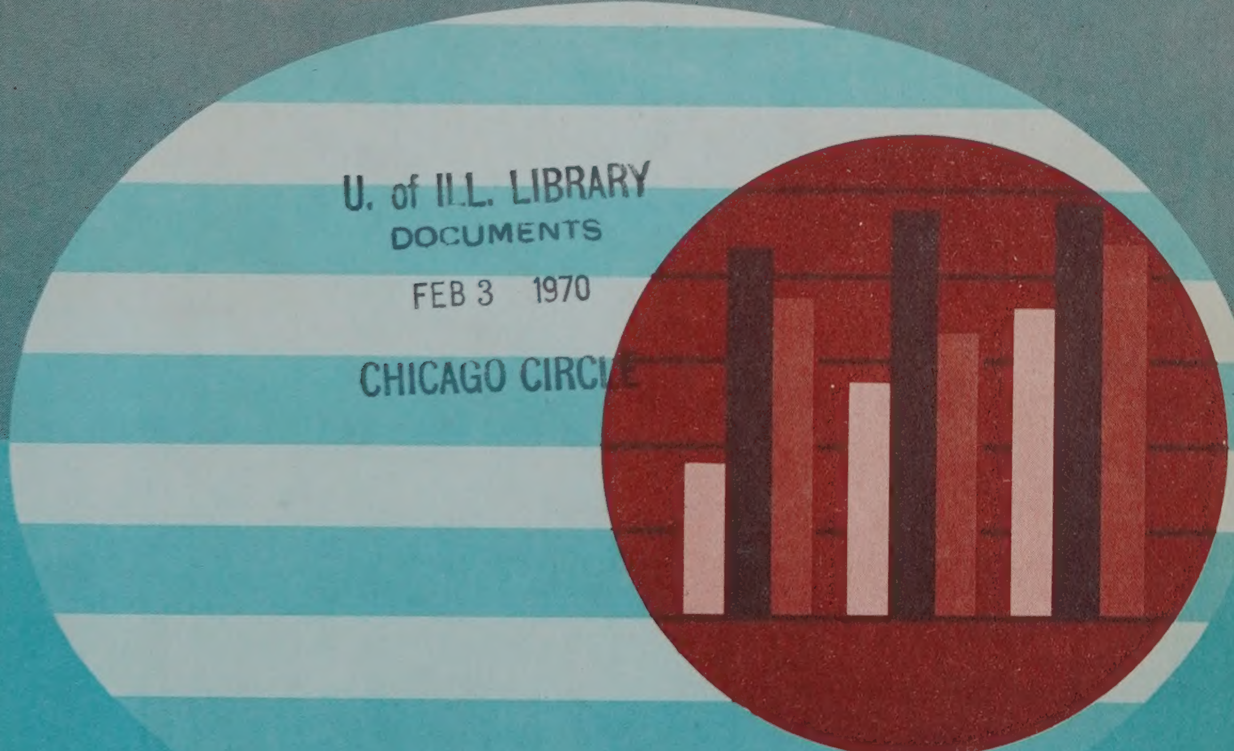
ECONOMIC SURVEY OF ASIA AND THE FAR EAST

1968



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ECONOMIC SURVEY
OF
ASIA AND THE FAR EAST
1968

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ECONOMIC BULLETIN FOR ASIA AND THE FAR EAST

Beginning with the ninth volume, for 1958/59, the *Economic Bulletin for Asia and the Far East* is issued quarterly, in June, September, December and March (instead of May, August, November and February). The March issue contains the annual *Economic Survey of Asia and the Far East*. The June and September issues contain articles and notes on subjects related to the Asian economy. The December issue features special studies and reports relating to economic development and planning. All four issues include a compendium of Asian economic statistics.

The *Bulletin* is prepared by the secretariat of the Economic Commission for Asia and the Far East and is published entirely on the responsibility of the secretariat. The designations employed and the presentation of the materials in this publication do not imply the expression of any opinion whatsoever on the part of the secretariat of the United Nations concerning the legal status of any country or territory or of its authorities, or concerning the delimitation of the frontiers of any country or territory.

Since the 1957 issue, the *Economic Survey of Asia and the Far East* has, in addition to reviewing the current situation of the region, contained a study on some major aspect, or problem, of Asian economy as below:

1957: Postwar problems of economic development
1958: Review of postwar industrialization
1959: Foreign trade of ECAFE primary exporting countries
1960: Public finance in the postwar period
1961: Economic growth of ECAFE countries
1962: Asia's trade with western Europe
1963: Import substitution and export diversification
1964: Economic development and the role of the agricultural sector
1965: Economic development and human resources
1966: Aspects of the finance of development
1967: Policies and planning for exports
1968: Economic problems of export-dependent countries
Implications of economic control and liberalization

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PREFACE

The present *Survey* is the twenty-second in a series of reports prepared annually by the secretariat of the Economic Commission for Asia and the Far East. A major object of these *Surveys*, and of the quarterly *Economic Bulletin*, is the analysis of recent economic developments in the countries of Asia and the Far East, and of international developments that affect them. Particular attention is paid to the analysis of economic policy and of policy issues.

Since 1957 it has been the practice in the annual ECAFE *Survey* to examine specific problems concerning the economies of the region in order to study long-term trends and their implications for national policies. In Part One, the present *Survey* contains two such studies: the first of export-dependent countries and the second of economic control and liberalization. Part Two contains a review of economic developments in the ECAFE region in recent years, 1967 and 1968 in particular, on the basis of information available to the secretariat at the time of completion of the *Survey* (March 1969).

The *Survey* is published on the sole responsibility of the secretariat; the views expressed should not be attributed to the Commission or to Governments of member countries.

Bangkok, March 1969

EXPLANATORY NOTE

The term *ECAFE region* is used in the present issue of the *Survey* to include Afghanistan, Australia, Brunei, Burma, Cambodia, Ceylon, China (Taiwan), Fiji, Hong Kong, India, Indonesia, Iran, Japan, the Republic of Korea, Laos, Malaysia, Nepal, New Zealand, Pakistan, the Philippines, Singapore, Thailand, the Republic of Viet-Nam and Western Samoa. Unless otherwise specified or made clear in the text, it excludes mainland China, Mongolia, North Korea and North Viet-Nam, all centrally planned economies for which adequate information or comparable statistics are not available. Malaysia includes the territories of West Malaysia (the former States of Malaya) and East Malaysia (Sabah and Sarawak), so that statistics relating to previous years often have to be given for these member countries separately. There are also cases where national figures of previous years are combined to compare with those of late years. The term *developing ECAFE region* excludes Australia, Japan and New Zealand.

Unless otherwise stated, all statistical tables are compiled by the ECAFE secretariat on the basis of data published by governments and the United Nations and its specialized agencies.

Reference to "tons" indicates metric tons, and to "dollars", United States dollars, unless otherwise stated.

The term "billion" signifies a thousand million.

Three dots (...) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amount is nil or negligible.

A blank in a table indicates that the item is not applicable.

A hyphen (-) between dates representing years, e.g. 1950-1960, is used to signify the full period involved, including the beginning and end years.

A slash (/) indicates a crop year, fiscal year or plan year, e.g. 1961/62.

The plan years of the ECAFE countries coincide with their fiscal years as given in the table below, except in the case of China (Taiwan), where the plan year coincides with the calendar year.

In respect of information given, the countries listed below have generally been included, subject to limitation of data.

Country	*Fiscal year*	*currency and abbreviation*	*United States cents per unit of currency at end of December 1968 (selling rate)*
Afghanistan	September to August since 1956/57	Afghani (Af)	2.222[a]
Brunei	January to December	Malaysian dollar (M$)	32.47
Burma	October to September	Kyat (K)	20.79
Cambodia	January to December	Riel (Ri)	2.857
Ceylon	October to September	Rupee (Rs)	16.84
China: Mainland	January to December	Yuan	50.00[b]
Taiwan	July to June since 1954/55	New Taiwan dollar (NT$)	2.494
Fiji	January to December	Fijian pound	229.6
Hong Kong	April to March	Hong Kong dollar (HK$)	16.50[c]
India	April to March	Rupee (Rs)	13.11
Indonesia	January to December	Rupiah (Rp)	d
Iran	21 March to 20 March	Rial	1.320
Korea, Republic of	January to December since 1957	Won (10 Hwan)	356[e]
Laos	July to June since 1957/58	Kip (Kp)	0.417
Malaysia	January to December	Malaysian dollar (M$)	32.47
Mongolia	January to December	Tugrek	25.00[b]
Nepal	16 July to 15 July	Nepali Rupee (Rs)	9.877[f]
Pakistan	July to June since 1959/60	Rupee (Rs)	20.79
Philippines	July to June	Peso (P)	25.58
Singapore	January to December	Singapore dollar (S$)	32.47
Thailand	October to September since 1961/62	Baht	4.80
Viet-Nam, Republic of	January to December	Piastre (Pr)	0.847[g]
Western Samoa	April to March	Samoan dollar (WS$)	142.86
Australia	July to June	Australian dollar (A$)	110.70
Japan	April to March	Yen (Y)	0.280
New Zealand	April to March	New Zealand dollar (NZ$)	110.60

[a] Par value starting 22 March 1963. Free rate: 1.3574 cents.

[b] Basic rate according to United Nations, *Monthly Bulletin of Statistics*.

[c] Official rate.

[d] Exchange rates are 326 and 385 for export rate (official) and free market rate respectively.

[e] The rate of one won to 10 hwan was established on 9 June 1962. For details, see IMF, *International Financial Statistics*.

[f] Par value rate effective from 11 December 1967.

[g] Trade rate, invisible rate and troop pay rate.

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INTRODUCTION

1. The Economic Situation in Developing Asia: 1968 and the Outlook for 1969[1]

The national products of the developing countries of Asia, counted in real terms and without regard to changing terms of trade, showed in 1968 a wider incidence of robust growth than in the preceding year. In seven out of eight countries for which estimates are available, national product increased by more than 5 per cent. A grand regional average would yield a lower figure than in the previous year (5 per cent instead of 8) since India's national income was recovering in 1967 from a series of exceptionally bad harvests and its growth in the more normal circumstances of 1968 was again at a low level. Such an average is relevant to the tentative measurement of the potential welfare of the average citizen of Asia. But economic affairs are arranged within states and if averages are to throw light on opportunities and their exploitation they should be formed on principles that reflect these.

China (Taiwan) and the Republic of Korea, which are industrializing and expanding their manufactured exports at great speed, continue to grow fast. In both countries, foreign capital continues to play a crucial role, markets have been kept relatively free and the resulting distribution of benefits remains an economic as well as a social problem.

India's income grew by 3 per cent. Substantial liberalization of economic controls was maintained for the third year and economic policy continued to induce private sector demand so that it might take up the remaining slack. The new outline of the fourth five-year plan provides for a plan of more modest size than the earlier draft, aiming at an annual rate of growth of 5 per cent and presumably basing its tactics on a continuation of the liberal economic regime. While this policy appears to have prevented a fuller mobilization of industrial capacities, agricultural production did not much advance over its high level of 1967.

Pakistan, in its financial year June 1967-July 1968, achieved remarkable agricultural successes. Industry also expanded by 10 per cent. The deteriorating prospects for aid and the actual worsening of the foreign exchange situation led to changes in the import system and to restrictions which appear to have slowed down the industrial economy in the latter part of 1968, before the as yet unknown economic repercussions of recent political strains. There was some pragmatic retreat from decontrol and an adjustment of plan provisions and policies.

The economies of countries in south and southeast Asia, which depend markedly for both national income and foreign exchange on the production of primary export commodities, have been severely affected by low or declining commodity prices. Thailand has, in addition, suffered a drought. On conventional accounting, the national products of these countries rose by 6 per cent or more in 1968 and this appears as a clear improvement over 1967. But when account is taken of declining export prices and thus of the declining value of the relatively large part of national output which is only usable for exchange against imports, the economic results of 1968 were less satisfactory and little short of disastrous in 1967. Adjustments for the terms of trade raise the number of regional countries that grew at less than 5 per cent in 1968: Malaysia is likely to be in this group, and Thailand may be on its margin. But even after such adjustments, the economies dependent on the export of primary commodities seem to have fared better in 1968 than before, again with the exception of Thailand. Since export prices recovered at best marginally, the improvement reflects the growth of production for domestic use. In Ceylon, Malaysia, the Philippines and Indonesia this growth was located largely in the agricultural sector, especially in foodgrains.

Agricultural progress in the developing Asian countries, excluding in particular the Republic of Korea and Thailand, was good on the whole. Commercial crops did less uniformly well than foodgrains and the increased outputs of some of them, such as rubber and tea, had to be sold in weak markets. The growth of grain production, however, was excellent in Ceylon, Indonesia, Malaysia and Pakistan. The crops of 1969 — including those of Burma, India and Pakistan — may again be good or excellent. This development allays one of the most persistent anxieties about the stability of Asian development. It is too early to say what part of the agricultural results may be credited to the new agricultural strategies of some countries and the increased vigour and improved organization of the agricultural drives in others. The apparent absence of any very significant increase in India's output of foodgrains over the levels of 1967, in spite of the extension of the area under high yielding varieties and increased use of fertilizer contains a warning against expecting quick and spectacular results. But the new techniques, presenting an instance of scientific developments and exchanges within Asia, are certain to raise agricultural output to unforeseen levels during the next ten years and to create an increasingly adaptable and technically alert generation of farmers.

In the meantime, agricultural progress presents major policy problems. The incentives that have been given to farmers in most countries are changing the distribution of incomes between sectors, thus creating problems for the collection of resources for general development. The systems of incentives together with the uneven impact of new techniques and of agricultural policies lead to changes in the balance of agricultural outputs which are not necessarily in the most rational direction. Generally, the question arises how far to press autonomy in foodgrains, and whether subsidized exports of grains are the best available use of resources. The traditional grain exporters will provide part of the answer by the pace at which they manage to improve the efficiency of their own production.

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[1] This account draws on Part II, chapter 1, Broad Features of Development in 1968, of this *Survey*.

The growth of incomes was induced in some countries and facilitated in others by the growth of exports at a somewhat faster rate than in 1967 (10-11 per cent as against 9 per cent in 1967). World trade was rising relatively fast in 1968. The industrial countries as a group increased their total imports by perhaps 11 per cent in 1968 as against some 4 per cent in 1967, without, however, provoking a strong improvement in commodity prices. This expansion is unlikely to continue into 1969. Together with the improvement in the rate of exports came a decline in aid commitments, for the second year in succession. Its impact on actual pipelines and disbursals will be felt during this year and in 1970. Last among the major external factors, the reduction of foreign military expenditure connected with the war in Viet-Nam and military establishments in a variety of countries now seems imminent. Summing up these forecasts, the external setting in 1969 is going to be less favourable than in 1968; export values for the entire region will grow at less than 10 per cent unless commodity prices recover greatly; partly as the outcome of agricultural progress, and partly as a response to less external demand, competition in commodity trade is likely to become more intense. Trade balances may further deteriorate if the increased export incomes of 1968 are converted into imports in the present year. Southeast and east Asian countries will lose foreign exchange incomes of service account, and the aid commitments may not rise above their level of 1968. The lower level of aid may continue for several years.

The internal resource position has thus improved in so far as physical output is concerned, largely due to agricultural progress. The internal resource position in the sense of the availability of domestic resources for the use of the public authorities in their development task is improving more slowly. The external resources picture is discouraging.

Foreign assistance and capital has played a major role in the development of several Asian countries—China (Taiwan), the Republic of Korea, Pakistan and Thailand are examples: it remains crucial to some of them and to further countries like Ceylon and Indonesia where a narrow margin of external resources stands between economic growth and stagnation. Agricultural growth has furnished one of the bases for a more independent development of Asian nations but it would be a mistake to expect it to be the major part of the solution. For sustained growth in practically all developing countries of Asia, the economy must be transformed so as to raise not merely its physical productivity but also its productivity in terms of value. A concentration of investment on agriculture and transportation may be essential at certain times but it is not by itself a long-run solution for more than very few countries. Whatever the degree of reliance on private enterprise in industrial development the public sector's role in economic development, and especially industry in bound to be large: countries appear merely to differ, according to their strategy and social system, in terms of the phasing of public intervention in the process. The intervention has two aspects: the assumption by the public sector on its own, or in association with the private sector, of physical programmes of production, and the development of priorities and investment criteria based on long-run considerations of social profitability. The latter is the task of economic development policy. It cannot be discharged without a better basis of information than most Asian countries possess, without the guidance of a logical and consistent framework and thus without facing up to long-term issues. The number of people in individual Asian countries who are competent to help in this work is normally desperately small and must be increased by training and incentives.

The threatening scarcity of foreign resources calls for very difficult decisions in many countries. Agricultural progress, wherever it has occurred eases the long-run situation. The growing entry of Asian exporters into overseas markets for manufactures also adds to the opportunities of development with less dependence on foreign aid. Agreements between competing producers of primary commodities to maintain their joint markets could increase the productivity of exporting for all of them, in the longer run. Internationally, the ordering of the monetary system, liberal liquidity policies and advances in the proposed scheme of unilateral preferences for the exports of developing countries, still under negotiation among the major industrial countries but already being extended by Australia, would secure opportunities for exports and thus again for the greater independence of development which the circumstances seem to be dictating.

It is nevertheless difficult to accept that economic growth during the next ten years could be assured without re-examining the fundamental tactics of the necessary degree of economic control over investment and expenditure, the pattern and techniques of production, and the balance of investment and consumption. Techniques may not be as inflexible as recent economic studies have assumed when working out the conclusion that for most Asian countries the ability to raise domestic resources by saving is not the major obstacle in the way of growth at acceptable rates around 5-7per cent per year.The techniques themselves may be varied, so as to allow less dependence on imports, if the pattern of outputs is better controlled and if a strengthening of fiscal power allows resources to be raised not just from industrialists but from every income earner. There are no ready-made solutions and one need not therefore expect authoritative answers to the question how much an economy can do with its own resources; it is necessary to find out. The obstacles often lie outside agricultural or industrial engineering in the strict province of economic policy and institutions.

2. Export-Dependence and Economic Growth: Changing Problems of Policy

The prices of some of Asia's major export commodities — notably rubber, tea, tin and jute—have been suffering steep and prolonged declines since 1966.[2] Competition among the exporters of primary products is traditionally intense. It continues to be so as agricultural progress raises the foodgrain production of many countries, as countries diversify their agricultural export production largely by entering into competition with existing producers, and ast he agriculture of Indonesia and the Republic of Viet-Nam is rehabilitated.

The primary producing export economies of Asia have been severely affected by declining commodity prices. The total impact which shifts in international commodity trade have on these economies is nevertheless changing. Their development has taken the form of increased production for domestic use and, in the case of Thailand, of a great diversification of export production. This has built up resistance to changes in commodity trade. Considering Ceylon, Malaysia, the Philippines and Thailand as representing the group of Asian export-dependent primary producers, the degree to which incomes depend on exports has been declining during the past decade, and the decline has been greater the larger the initial dependence. This decline has its counterpart in the lessening import component of total expenditure and in great alterations in the composition of imports as well as in the import components of different classes of economic expenditure. The adjustments of economic policy to these changed circumstances proceed in different countries at a very uneven speed.

A major continuing problem of the export-dependent economies is how to raise the rate of growth of the economy without damaging exports: how to transfer resources from the export sector to meet the needs of general development without causing such an erosion of its profitability as will make it contract. In Ceylon and Malaysia, it appears that the internal terms of trade—the prices of export products compared with the prices of the rest of output—have been moving strongly against the export sector. This raises the double problem of how to determine the permissible degree of resource transfer such as results from taxation, import restrictions and other measures to protect domestic outputs, and how to adjust the relative profitability of exporting and producing for domestic use. Given the increasing internal integration of the export-dependent economies and the actual or prospective balance of payments problems of most of them, it is difficult to see how the optimum balance between exporting and the remainder of production can be determined without systematic projection and planning of economic policy. For short-run adjustments, on the other hand, dual pricing systems for different categories of exports and imports are capable of introducing controlled flexibility into effective exchange rates. Ceylon's new system of foreign exchange entitlement certificates and the dual pricing systems of Pakistan and Indonesia thus deserve attention.

Export dependence is characterized by the relatively large proportion of income that is derived from exports. The prices of a large part of national product are, therefore, set outside the economy. In addition, the degree to which export products can be absorbed into domestic use is normally very limited. This typical combination of circumstances makes it difficult to stabilize the economy, as distinct from the balance of payments, against fluctuations in external receipts. As the rest of the economy grows relative to the export sector, stabilization of incomes becomes technically easier. But since domestic expenditure retains a relatively high component of imports, stabilization policy, unless backed by large foreign reserves, faces a conflict between stability in the short run and development in the longer run. Consumption as well as investment requires imports—high dependence on exports implies a high dependence on imports —and if the expenditure on imports has be adjusted to changes in export revenue a choice has to be made between the claims of investment and consumption.

The adaptation of economic management policy to the changing structure of the economies demands continuous diagnosis of the reaction of the economy to external changes. Growth of the export dependent economies normally involves the development of production which depends on imported inputs. In the absence of such production, declining export revenues tend to deflate domestic incomes. Since a large part of these incomes is spent on imports of finished goods the balance of payments tends to take care of itself to some extent and in the total impact on the economy the deflationary element predominates. As domestic production becomes dependent on imported inputs a decline of foreign exchange receipts tends in principle to translate itself into an inflationary stimulus inside the economy because supply of domestic products is affected as well as export-derived incomes. The required intervention in the economy thus increases in complexity and demands more than ever a long-run framework. The progress of projections and planning in Ceylon, Malaysia and Thailand is a somewhat belated acknowledgement of the role of planning in medium-sized economies that rely largely on private enterprise for the development of the economy. The search for forms of planning as distinct from the techniques of programming that are suitable for these economies and for ways in which their short-run policies can be guided by long-run considerations appears now as a major factor in their development and will benefit from continuous exchanges of experience.

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[2] This section is based on the study of the economic problems of the export-dependent countries, part IA of this *Survey*.

3. The Implications of Decontrol

Economic controls on investment, imports, allocation of products and prices form in many countries the administrative understructure of planned development. Several countries have built up a large body of experience in the use of alternative forms and combinations of these instruments and the *Survey*[3] seeks to present some aspects of this experience which are of wide interest. It surveys the evolution of the controls of India and Pakistan in recent years since policy in these countries is particularly well documented and also because they have long experience in the working and adaptation of the main types of economic control.

Two great difficulties are apparently faced in the design of a system of economic controls to regulate the development of a developing country. First, there is a tendency to overload any one instrument of control, to use it in the pursuit of too many objectives or to work it beyond the capability of the administrative apparatus. Second, certain controls, notably import controls, are used for both the short-run management of the economy and for the realization of long-run development priorities in the field of investment and production. This multiplicity of function tends to cause conflict.

Examples of overloading are to be found in the experience of both India and Pakistan. While Indian investment controls have been successfully used in regulating the allocation of investible resources between industries, they have also been used to allocate investment within industries. This had to be done in the absence of economic and technical criteria for distinguishing between the projects of individual firms. Reliance had to be placed on chronological selection between applications. To counteract pre-emptive applications for investment licences, licensing of capacity in excess of plan targets was adopted. There resulted delays, an inefficient allocation of investment and, at times, presumably an imbalance in the creation of capacity. The controls were also used to determine the product mix of the licensed plant and thus further impinged on the efficiency of production within industries. A possible escape which the study discusses may be found in a variant of the Pakistan system of a register of admissible capacity in which target levels of capacity are laid down for each industry. Prospective investors have to inscribe their plans in this register and can maintain their claim for a certain period and afterwards only on proof of performance. When targets are reached, the corresponding category in the register is closed. Licensing is essentially a negative instrument of control: it cannot force entrepreneurs to invest in a particular line but can only prevent them from doing so. If that is recognized, techniques such as that of capacity registration may be accepted as compromises with administrative limitations. But the negative nature of licensing also points to the need to control investment throughout industry, lest the exemption from licensing of certain areas of industry act as an inducement to invest there in times of buoyant demand such as development policy may generate. This conclusion seems to argue strongly for simple systems of inter-industry allocation of investment in priority areas of development while imposing traditional licensing requirements on sectors outside the area of priority or on investment in excess of planned targets: it is their absorption of resources which needs to be controlled.

Import controls have suffered from the same defect of trying to do too much, e.g. in allocating imports of inputs between firms within industries. In addition, they can serve as examples of overloaded controls whenever they are made to assume the main burden of controlling investment. Unless foreign exchange is the only scarce resource in the country they cannot fulfil this function unaided by investment controls. This combination of controls is in any case desirable in order to reduce the inducement to invest in consumer goods industries which tends to result from the operation of import controls in times of foreign exchange scarcity.

The reform of controls, and especially of import controls, to permit greater flexibility and wider choice between commodities and over time tends to conflict with the demands of the short-term management of economies. Import controls through quantitative restrictions and licenses are accepted as the surest means for adjusting the demand and supply of foreign exchange. The need for them is enhanced by the large measure of inconvertibility of external capital assistance.

The conflict may be moderated by resort to systems of dual pricing of foreign exchange. Under such systems - approximated in many respects by Pakistan's system of foreign exchange markets - exports of low price elasticity of demand must be sold and priority imports can be bought at a basic rate of exchange. This rate favours the importer relatively to the rate in another market in which low priority imports must compete for the foreign exchange earned by new exports or by exports with a high price elasticity of demand. Such systems form an important simplification of exchange and import controls. They have the further merits of introducing the price mechanism into an area of importing and exporting, of giving price incentives to certain exports and, lastly, of giving such incentives at the expense of the monopoly profits that would otherwise accrue to the holder of import licences. Such dual rate systems nevertheless require careful consideration of the consequences of different ways of working the system. It seems particularly important to make clear the effect of stabilizing the rate in the relatively free market, which is normally done at the expense of priority imports. It is equally important to decide on a balance between the desirable level of incentive offered to exporters through strong demand for foreign exchange in the relatively free market and the desirable level of non-priority imports which generate this demand.

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[3] Part IB- The Implications of Economic Controls and of Liberalization.

The implementation of plans, which relies on controls of different kinds, is in many ways the most difficult part of planned development. Experience with controlled implementation has built up only slowly. The achievements have been impressive in crucial respects: experience shows that the allocation of investment among industries, high investment activity in circumstances of great foreign exchange scarcity and presumably also a high level of saving and some balance in the distribution of income are achievable by direct economic control. Improvements in the system of controls are difficult but need to be pursued by economists and administrators, lest dissatisfaction with inefficient systems lead to the discrediting of planned development.

Part One

A. ECONOMIC PROBLEMS OF EXPORT-DEPENDENT COUNTRIES

B. THE IMPLICATIONS OF ECONOMIC CONTROLS AND OF LIBERALIZATION

A. THE ECONOMIC PROBLEMS OF EXPORT-DEPENDENT COUNTRIES

Chapter I

The Evolution of Export Dependence and Its Changing Problems

1. Introduction

Forms of export dependence

The developing countries of Asia differ greatly in the form and extent of their dependence on exports.

In many of them, the growth of product and of the necessary investment depend on the supply of foreign exchange. Many could produce and export more of the goods which they traditionally export without noticeably detracting, except in the short run, from their ability to create additional productive capacity. These circumstances reflect a high marginal dependence on exports; growth being constrained by the capacity to import.

Another form of dependence occurs where foreign demand fosters the growth of industries having special importance for the process of development—because of the investible surplus they generate, the skills they foster or because the goods which they make improve the material base for future capacity expansion.

The present study, however, examines policy problems of some of the Asian economies whose actual national income depends relatively heavily on production for exports. This form of direct export-dependence does not, of course, exclude the others.

Ceylon, Malaysia, the Philippines and Thailand have been chosen for study. In terms of the criterion of direct export dependence, these four economies represent a range of instances rather than a comprehensive set. Statistically, they seem better documented, for the purposes of this study, than other economies which might have been chosen and which also derive no less than 15 to 20 per cent of their income from foreign trade, this proportion being something like the natural point of division between economies. In terms of their recent rates of economic growth these countries differ much: Thailand has been one of the fastest growers in Asia, Ceylon amongst the slowest. They have in common a size of population and area which is small or medium by Asian standards, and a relatively high income per head. A further common feature of the four economies is the predominantly agricultural and extractive origin of their exports.[1]

General problems of export economies

Export dependence has often brought with it certain institutional features extending to public policy, to the monetary system and to credit markets. It tends to set a particular environment for economic policy; the present study is meant to investigate this environment and to clarify the broad choices in the area of economic management and development policy which seem to face the selected export-dependent economies.[2]

The basic element in this particular situation is the existence of a large sector of income — and possibly also of employment, saving, capital formation and government revenue — which, given domestic supplies of exportables, depends on international demand. Dependence on foreign markets implies that a large sector of prices is set outside the economy. With stable exchange rates, this may narrowly limit the freedom of the authorities to act independently of the external economy and to ignore the price effects of development policy.

The importance of the export sector, again, implies production significantly in excess of agregate domestic demand for the exportables. If export production is also found to be concentrated in a few commodities, the resulting imbalance between output — or specific capacities — and domestic demand limits the scope for stabilizing the economy's economic activity.

If a significant proportion of output is exported, a significant part of expenditure will be devoted to imports. The precise relation between the two proportions depends on capital movements (capital inflows are likely to raise the ratio of imports to expenditure) and the balance of international payments for services, notably debt service payments and profit remittances which compete with current imports. But to the extent that the ratio of imports to expenditure still remains relatively high, the typically low average savings ratio of developing countries leads one to expect that imports would contain a significant element of consumption goods. If this characterizes the present stage of the economy it may be an advantage in the process of development. If savings can be raised (for instance, via taxation) their resource counterpart will contain foreign exchange with which to finance the import of investment goods. But whether this is so in fact depends also on the types of imported consumption goods. If basic foods or textiles are imported while goods with a higher income elasticity of demand are made domestically, an addition to savings may release resources in proportions unsuitable for capital formation. This latter situation argues for measures, including investment, to reduce the dependence of inflexible consumption demands on imports—to grow more food at home. In this case, investment is required to allow further investment; the structure of outputs must be changed to improve the commodity counterpart of later savings. As a strategy, it needs to be weighed against projects to expand exports, considered not merely as alternative ways to earn income or raise the national product but also as sources of supply of the material basis for future capital formation. This is a commonplace in projections or in planning exercises but there is little reason for confidence that the simple principle has much influence in the actual selection of projects.

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[1] This is one of the distinctions between them and China (Taiwan) whose exports form a rapidly rising share of income.

[2] We avoid the technically proper term "open economy" because it may be mistaken to imply a particular type of economic policy.

The differences between the past rates of growth of Ceylon, West Malaysia, the Philippines and Thailand contain a simple warning against generalizing about the implications of export dependence. The descriptive section which follows will elaborate certain differences among them which seem relevant to their prospects and the range of policy choices.

2. The aggregate dependence on exports

In terms of recent shares of merchandise exports in national product, the countries fall into two groups. West Malaysia, whose income depends on exports to an extent which only has its equal in the Asian city-states, and Ceylon derive between one-third and one-fifth of their total income from exporting goods. Thailand and the Philippines depend more lightly on merchandise exports, each to an extent which may also be found in other Asian developing countries—such as China (Taiwan)—but still large enough to affect the nature of and the priority among their policy problems.

The most straightforward, though not necessarily the most important of these problems, arises from the significance of the primary effect of changing export receipts on income, as distinct from the series of secondary successive expenditure reactions by income recipients. Put in terms of priorities among practical policy concerns, the effect of export variations on the levels of domestic credit, disposable incomes and prices, on state revenue and the pace of domestic investment will not be thought secondary to considerations of the balance of payments and may at times take precedence over the latter.

The two pairs of countries differ in the way in which the share of exports in national product has been changing although the comparison is affected by the differing periods for which acceptable national accounts are available. In West Malaysia and Ceylon the ratio has declined greatly during the past ten years—the effect of prices as well as of changes in the proportions in which outputs are being produced. No such decline is apparent in Thailand (1960-1967) or in the Philippines (1962-1967).

Again, the level and change of income from the export of services—including services sold to foreigners within the country—distinguishes the two groups. In the Philippines and Thailand, services sold against foreign exchange have risen rapidly and reached in 1966-67 the level of 6 to 7 per cent of the national

Table I-A-1. Exports as a proportion of national product and commodity output[a]

Year	*Ceylon*			*Malaysia*[g]			*Philippines*				*Thailand*			
	Exports of goods and services[b] *to GDP*[c]	*Exports of merchandise f.o.b.*[d] *to GDP*[c]	*Exports of merchandise*[d] *to commodity output*[e]: *Net of trade margins*[f]	*Exports of goods and services*[b] *to GDP*[h]	*Exports of merchandise f.o.b.*[d] *to GDP*[h]	*Exports of merchandise*[d] *to commodity output*[i]: *Gross of trade margins*	*Exports of goods and services*[b] *to GDP*[h]	*Exports of merchandise f.o.b.*[d] *to GDP*[h]	*Exports of merchandise*[d] *to commodity output*[j]: *Net of trade margins*[k]	*Exports of merchandise*[d] *to commodity output*[j]: *Gross of trade margins*	*Exports of goods and services*[b] *to GNP*[h]	*Exports of merchandise f.o.b.*[d] *to GNP*[h]	*Exports of merchandise f.o.b.*[d] *to commodity output*[l]: *Net of trade margins*[m]	*Exports of merchandise f.o.b.*[d] *to commodity output*[l]: *Gross of trade margins*
1955	...	...	...	50[n]	47.5[n]	...	...	...	...	...	...	...	...	...
1957	...	...	...	45.8[n]	42.5[n]	...	...	...	...	...	...	...	...	...
1959	34.6	29.6	34.9	47.7[n]	44.8[n]	...	...	...	...	...	...	...	...	...
1960	32.3	28.9	34.7	47.3	44.5	...	...	...	...	...	17.1	15.5	17.8	17.5
1961	30.4	27.3	32.4	42.4	39.4	54.4	...	...	...	...	18.8	16.7	19.1	18.9
1962	30.4	27.6	33.0	40.5	37.7	...	13.1	12.4	15.0	15.2	17.1	14.6	16.8	16.6
1963	28.0	25.3	30.3	40.3	37.5	...	16.6	13.1	14.1	14.6	16.8	14.0	16.2	16.0
1964	26.6	25.6	31.4	39.6	36.6	...	16.3	12.4	14.0	14.4	19.8	16.7	19.4	18.8
1965	28.5	26.4	32.1	40.2	37.0	45.1	17.8	12.1	14.2	14.6	19.8	15.9	18.2	17.8
1966	24.6	22.3	27.3	38.2	35.4	...	20.0	14.3	16.6	17.0	20.9	14.6	16.2	16.1
1967	23.0	21.1	25.7	34.8	32.8	...	18.2	12.7	14.0	14.5	21.2	13.5	15.6	15.0

Sources: A.1, A.2, A.3, A.41, A.6 (for key, see Appendix I-A-1).

[a] See Appendix I-A-3, note 1.

[d] F.o.b., from trade statistics.

[f] See Appendix I-A-3, note 3.

[i] See Appendix I-A-3, note 4.

[k] See Appendix I-A-3, note 6.

[m] See Appendix I-A-3, note 8.

[b] F.o.b., from balance of payments.

[e] See Appendix I-A-3, note 2.

[g] West Malaysia. The secretariat was not in a position to cover East Malaysia in this study.

[n] Including re-exports.

[c] Gross domestic product at factor cost, including export taxes.

[h] At current market prices.

[j] See Appendix I-A-3, note 5.

[l] See Appendix I-A-3, note 7.

product.[3] Much of this is attributable to the presence of foreign troops and military support. In West Malaysia and Ceylon this income is much lower in relation to national product and in Ceylon it has fallen during the past eight years.

Exports and commodity production

The figures that have been compared so far reflect the extent to which incomes depend, on average, upon foreign markets. It is true that exports and national product are not strictly comparable, since export values include the value of imported inputs while imports do not enter the national product. But the small import content of exports—a mere 3.3. per cent in Ceylon or 1.5 per cent in the Philippines[4] reduces the importance of this blemish.

A rather different argument against this comparison arises from the large share of services in the national products of the four countries (table I-A-2). Large by the standards of other developing Asian countries, these shares have been growing when reckoned in current prices, partly because prices of services have been rising faster than the average price level. Trade has maintained its share in total services with perhaps deceptive constancy in Thailand; elsewhere it seems to have declined slightly. Granted, the valuation of services is likely to be more arbitrary than that of commodities. In addition, scarcity of resources, limitations of produced capacity and immobility of resources affect commodity production more than services such as trade, defence, administration, education and the broad residual class of largely personal services. The extent to which resources displaying these characteristics are employed in production for exports should be reflected in the ratio of commodity exports to total commodity production.[5] This ratio can only be tentatively estimated (table I-A-1). Besides, the ratio underestimates the share of export in the monetized commodity production at a given point of time since only a part of the estimated commodity output is marketed; changes in the estimated ratio, on the other hand, contain a downward bias as regards the development of exports relative to marketed output.[6]

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[3] In the Philippines, war veteran benefits and United States military expenditures have been received for a considerable length of time.

[4] The import content of domestic exports is taken from input-output tables. (See Appendix on Sources, A.6).

[5] Commodity production is defined for the present purpose as the production (including imported materials) of all sectors of agriculture and industry and also of transport and communications.

[6] A decline in the estimated ratio of exports to commodity production is likely to underestimate the rate at which exports have declined relative to marketed commodity production. This matters little in the short periods covered by I-A-1.

Table I-A-2. Share of services[a] in national product, at current prices

Country	*Definition of national product*	*Year*	*Value added in services[a] as percentage of national product*	*Value added in wholesale and retail trade as percentage of national product*
Ceylon	GDP at factor cost	1959	35	14
		1960	37	15
		1961	36	14
		1965	39	16
		1966	39	16
		1967	38	15
Malaysia[b]	GDP at factor cost	1960	40	16
		1961	41	16
		1962	42	16
		1965	42	16
		1966	43	16
		1967	44	16
Philippines	GNP at factor cost	1962	33	9
		1963	33	9
		1964	34	9
		1965	35	9
		1966	34	9
		1967	36	10
Thailand	GNP at market prices	1957	40	19
		1958	38	17
		1959	39	18
		1965	40	19
		1966	38	18
		1967	41	20

Sources: A. 1 (for the key, see Appendix I-A-1).

[a] Excluding transport and communications (in West Malaysia and in Ceylon also storage) which are here treated as part of commodity production.

[b] West Malaysia. The secretariat was not in a position to cover East Malaysia in this study.

In all four countries, commodities sold for export form a greater proportion of total commodity output than of national product. This is not surprising, given the large share of services in national product. The result is not, however, simply implicit in the large share of services because producers' imports are included in commodity production but not in national product. Since the import content of exports is invariably much less than that of total commodity production, the domestic part of commodity production (value added) will always be more dependent on exports than is commodity output gross of imported materials as it is considered in the table.[7]

In its movement over time, the ratio of exports to commodity output behaves much like the share of exports in national product.

3. The relative position of the export sector

The internal terms of trade of exports

So far, only the relations between the current values of exports and other aggregates have been examined. They indicate the relative development of income flows, each made up of a movement of quantity and another of prices. But except in Thailand, export prices rose significantly less than the average price of national product (table I-A-3). As a result, the quantity of exports in Ceylon and West Malaysia declined less relative to the quantity of national product than did the ratio between their values, while in the Philippines, the evidence for which is least satisfactory,[8] the quantity of exports, but not their value, has been rising faster than national product.[9]

If the amount of different factors of production needed to produce any one unit of output was con-

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[7] In Thailand, imported producers' goods formed in 1967 over 8 per cent of the sum of value added in commodity-producing sectors (including transport and communications), export tax (considered as a factor payment) and imports of producers' goods. In the Philippines, with a larger sector of non-agricultural commodity production, imports of producers' goods were some 16 per cent of the sum of value added and producers' imports. Exports less trade margins, taken as 12 per cent of the f.o.b. values, formed 20.5 per cent of value added in commodity production. The figure of 14 per cent in table I-A-1 includes producers' imports in the value of commodity output as well as that part of indirect taxes assumed to fall on commodities.

[8] For the Philippines, the calculation is based on the export unit values in dollars. The export goods sector of the wholesale price index (in pesos) rose faster than the general wholesale price index.

[9] An inconsistency between the ratios of the value of Philippines exports to the value of national product in table I-A-1 and the development of the same ratio implicit in the figures of table I-A-3 is due to an unavoidable difference in the sources.

Table I-A-3. Index numbers of national product and of merchandise exports, in current and constant prices: Ceylon, Malaysia[a], Philippines and Thailand

(1962 = 100)

Country	*Index of*	*Prices*	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	*Average annual rate of growth (%)*
Ceylon	GNP	Current factor cost					91	97	97	100	104	113	114	117	123	3.9
		Constant prices of 1959					*88*	*94*	*96*	*100*	*103*	*110*	*110*	*113*	*118*	*3.8*
	Merchandise exports, f.o.b.	Current					97	101	96	100	96	104	108	94	93	-.3
		Constant prices of 1959					*85*	*89*	*93*	*100*	*96*	*108*	*109*	*99*	*103*	*2.6*
Malaysia[a]	GNP	Current market	76	78	79	76	91	94	94	100	106	112	123	129	132	4.7
		Constant market prices of 1960	*72*	*73*	*75*	*75*	*80*	*88*	*94*	*100*	*104*	*109*	*117*	*124*	*130*	*5.1*
	Merchandise exports, f.o.b.	Current	90	85	83	71	94	111	100	100	102	105	118	118	110	2.1
		Constant prices of 1960	*73*	*75*	*76*	*73*	*79*	*88*	*96*	*100*	*106*	*103*	*110*	*116*	*119*	*4.2*
Philippines	GNP	Current market	56	62	67	71	77	83	90	100	115	124	134	148	162	9.3
		Constant market prices of 1955	*69*	*74*	*78*	*82*	*87*	*88*	*94*	*100*	*107*	*110*	*116*	*123*	*130*	*5.4*
	Merchandise exports, f.o.b.	Current	41	46	46	53	56	66	72	100	121	125	133	173	162	12.7
		Constant prices of 1955	*69*	*75*	*70*	*73*	*69*	*83*	*87*	*100*	*102*	*107*	*113*	*146*	*130*	*6.3*
Thailand	GNP	Current market			69	72	77	85	92	100	106	113	125	149	162	8.9
		Constant market prices of 1962			*74*	*75*	*82*	*91*	*95*	*100*	*110*	*117*	*127*	*141*	*148*	*7.2*
	Merchandise exports, f.o.b.	Current			79	68	79	90	106	100	102	129	135	143	145	6.9
		Costant prices of 1958			*85*	*71*	*79*	*86*	*103*	*100*	*103*	*131*	*136*	*143*	*146*	*5.2*

Sources: A.1, A.20, A.21 (for the key, see Appendix I-A-1).

[a] West Malaysia. The secretariat was not in a position to cover East Malaysia in this study.

stant in production for export and in national production in general, table I-A-3 would show that the relative commitment of factors of production to export and to national production at large has declined much less rapidly in Ceylon and West Malaysia than relative income flows, and that income per factor unit in exports must thus have declined relative to average income per factor throughout the two economies. The same conclusion would hold true of the Philippines, on the same assumption. The conclusion would be unaffected by the protection which producers enjoy in the domestic market and which raises the prices of their output. To maintain parity in incomes per factor in export production and in national production as a whole it would have been necessary for subsidies to exports or for productivity in export production to grow relative to the average increase of subsidies or of productivity throughout the economy. Within the limits of available national statistics it is possible to arrive at a rough estimate of the gap that would thus have had to be filled by subsidies and productivity increases if relative factor incomes were to have stayed in line in the face of divergent price movements of outputs.

The internal terms of trade of export production ("factor cost terms of trade", so called to distinguish them from market terms of trade) have deteriorated during the past decade in Ceylon, West Malaysia and since 1961/63 also in Thailand but seem to have improved throughout for the Philippines.[10] The deterioration seems to have been strongest in the more recent years. The last column of table I-A-4 shows the extent to which subsidies per unit of factor in export production would have had to rise over and above the general increase in subsidies, or productivity in export production over and above the general increase of productivity, to maintain the initial relation between income per factor unit in export production and in national production.[11] The gap thus to be filled in relatively short periods was sizeable: productivity increases (increases of output per factor) of 13 or 17 per cent above the average national increase in productivity are not easily achieved over four to seven years. Rubber may have shown large productivity increases in West Malaysia, and tea more moderate ones in Ceylon, but on the average of export production the increases are unlikely to have compensated fully for the movement in relative prices.

It must be emphasized that the peceding comparisons refer to relative incomes per unit of factor from physical production for exports and from economic activity in general, not, however, to a consideration of relative market prices as they confront buyers. The latter relation—the "internal market" terms of trade of exports—can behave very differently from the "internal factor cost" terms of trade (chart I-A-1). Wholesale and cost of living indices contain import prices,

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[10] Tables I-A-3 and I-A-4 compare exports valued f.o.b. and thus inclusive of import content and export taxes with national product which excludes imports and, in the case of *Thailand*, is net of taxes. Export taxes may be treated as a factor payment (i.e. direct tax) and import contents of exports are small. Except when there are large changes in a large export tax, the conceptual discrepancies in the tables will not invalidate the comparison as interpreted above.

In the Philippines, the computation of the internal terms of trade of the exports sector is based on the export component of the Manila wholesale price index (Central Bank of the Philippines, *Current Economic Indicators*, December 1967, p. 70). This index is used in the latest revision of the national accounts to deflate the value, in current pesos, of exports of goods and services. The index of unit value of exports (*ibid.*, p. 45) appears to reflect the unit values in terms of U.S. dollars and thus fails to reflect the changes in pesos prices inasmuch as the Philippines carried through a phased devaluation between 1960 and 1962. Had this index of unit values of exports been used in the calculations the internal terms of trade would have been shown as deteriorating throughout the period under review.

[11] The index in column (4) of table I-A-4 does, of course, underestimate the increase of subsidies or productivity needed in export production relative to *other* production to maintain factor income at parity.

Table I-A-4. Internal terms of trade (factor cost) of export products

Country	*Base years, averages (=100)*	*Terminal years*	*Price index*		*Internal terms of trade (1) ÷ (2)*	*Index of the (relative) subsidy/productivity of exports necessary for income parity*[c]
			Merchandise exports[a]	*National product*[b]		
			(1)	(2)	(3)	(4)
Ceylon	1959/61	1965/67	86	101	85	117
Malaysia[d]	1955/57	1965/67	87	97	90	111
	1959/61	1965/67	86	97	89	113
Philippines	1955/57	1965/67	194	144	134	74.5
	1961/62	1966/67	133	125	107	93.4
Thailand	1957/59	1961/63	104	104	100	100
	1961/63	1965/67	100	106	94	106

Source: Table I-A-3.

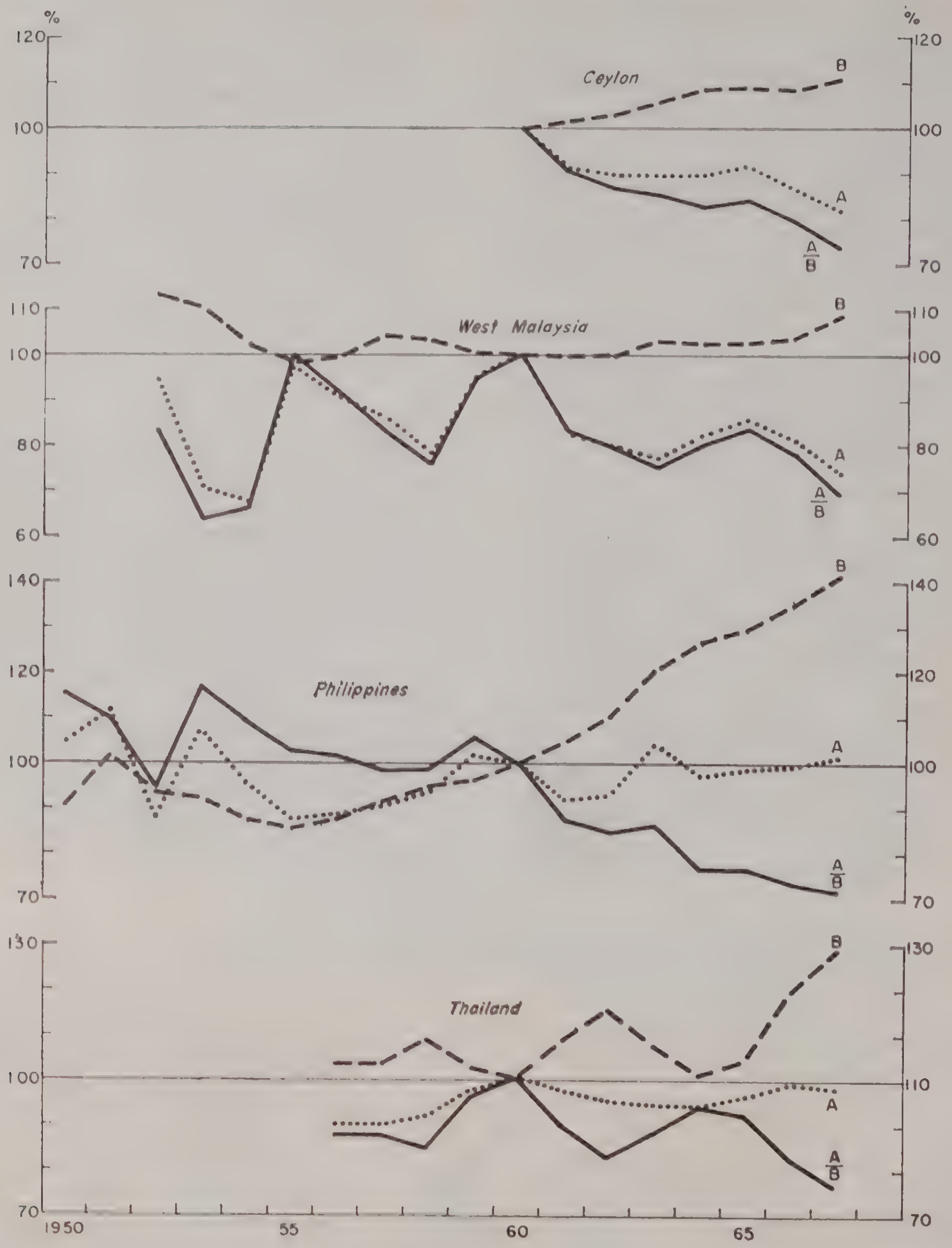
[a] Unit values of merchandise exports, f.o.b. For the Philippines: implicit deflator for exports of goods and services.

[b] Implicit deflators.

[c] (2) ÷ (1) = (4). If incomes per unit of factor in export production are to maintain their initial relation to factor unit incomes in general, relative subsidies to exports and the relative productivity of factors in export production must rise to the levels of the index numbers.

[d] West Malaysia. The secretariat was not in a position to cover East Malaysia in this study.

Chart I.A.1: Internal market terms of trade (1960=100)



A. Export price.

B. Cost of living: Ceylon, West Malaysia.

Wholesale price: Philippines, Thailand.

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excluded from the price of the national product; they measure changes in traded commodity prices while the national product also includes services in the service industries proper and in construction and maintenance and utilities like water and power. In addition, the weighting in a wholesale price index, and especially in a cost of living index, should be very different from that in the national product.

The internal market terms of trade of Ceylon (based on a cost of living index) deteriorated more than the factor cost terms of trade: import prices were estimated to have been rising steeply in recent years. A similar difference exists also in West Malaysia, where the cost-of-living has been rising more than the price of the national product.[12] In the Philippines, the two types of terms of trade move in close unison, possibly for statistical reasons, but in Thailand where import prices are estimated to have been falling steadily—presumably due to an increasing reliance on imports from Japan—the internal market terms of trade of exports deteriorated less than the factor cost terms.

The internal terms of trade of both kinds—the one approximating the development of factor cost per unit of output, and the other the rate at which export products could be exchanged on domestic markets for various collections of commodities in general—broadly followed the same tendency. Unless the parallelism is wholly due to statistical causes—that is, if the estimates may be regarded as largely independent—their evidence appears to be mutually supporting.

The drift of the factor cost terms of trade can be traced to a variety of causes.

Firstly, there is the independent movement of export prices against Ceylon and West Malaysia and in favour of the Philippines and Thailand. (table I-A-5.)

Secondly, primary production for exports is typically subject to strong international competition. Productivity increases will therefore tend to lower export prices if the country supplies quantities that are significant relative to world supply without actually being a monopolist.[13] This is likely to have been the case of rubber in West Malaysia and Ceylon and of tea in Ceylon.

Further, since the export price indices are unit value indices which reflect changes in relative quantities of exports, the relative growth of exports with a low value per unit reduces the index and *vice versa for* commodities with a high unit value. The changes which are then observed may be ascribed to productivity or, more accurately, to development(the growth of maize exports from Thailand thus presumably lowers the export unit value index).

The effect of the variously induced movements of export prices can be separately assessed (table I-A-4). Increased protection of domestic production tends to turn the internal terms of trade against exporters and represents a deliberate though not always well-controlled transfer of resources away from them. This occurred in all the four countries. Current development programmes, including perhaps those for self-sufficiency in foods, may maintain the trend. The internal terms of trade will also turn against exports in situations of imbalance between domestic supplies and demand. This may follow on rapid increases in development expenditure (e.g. in Thailand in recent years) or otherwise engendered pressures on domestic supplies of basic commodities. While imports may absorb these strains to a certain degree, the limits to their effectiveness in this respect being determined by the range of tradable goods and by the protective

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[12] The deflator of the national income.

[13] Monopoly would have the same result if the commodity has good substitutes so far as the users are concerned.

Table I-A-5a. Index numbers of export prices, import prices and terms of trade

	1. Ceylon[a]						*2. Malaysia*[b]					
	Export prices		*Import prices*		*Terms of trade*		*Export prices*		*Import prices*		*Terms of trade*	
	Annual	*3 year moving average*	*Annual*	*3 year moving average*	*Annual*	*3 year moving average*	*Annual*	*3 year moving average*	*Annual*	*3 year moving average*	*Annual*	*3 year moving average*
1955	100.0		100.0		100.0		100.0		100.0		100.0	
1956	93.8	94.4	100.0	102.0	93.8	92.8	93.0	93.8	104.5	104.5	89.0	90.0
1957	89.5	90.4	105.9	101.3	84.5	89.3	88.3	87.1	108.9	106.0	81.1	82.2
1958	87.8	89.5	98.0	101.3	89.6	88.4	79.9	88.5	104.6	105.3	76.4	84.2
1959	91.2	90.1	100.0	99.3	91.2	90.7	97.4	93.2	102.3	104.1	95.2	89.5
1960	91.2	88.6	100.0	99.7	91.2	88.8	102.3	94.8	105.4	103.7	97.0	91.4
1961	83.3	85.4	99.0	97.4	84.1	87.6	84.8	89.5	103.4	102.9	82.0	86.8
1962	81.6	82.2	93.1	98.3	87.6	83.7	81.5	81.8	100.0	102.6	81.5	79.7
1963	81.6	81.6	102.9	100.3	79.3	81.6	79.0	81.5	104.5	105.2	75.6	77.5
1964	81.6	82.2	104.9	104.9	77.8	78.3	84.0	83.5	111.2	107.1	75.5	78.0
1965	83.3	81.3	106.9	109.5	77.9	74.4	87.4	84.9	105.6	107.1	82.8	79.3
1966	78.9	78.9	116.7	114.7	67.6	69.1	83.2	82.1	104.5	104.9	79.6	78.2
1967	74.6		120.6		61.8		75.6		104.5		72.3	

Sources: See table I-A-5b.
Notes: See table I-A-5b.

Table I-A-5b. Index numbers of export prices, import prices and terms of trade

	3 Philippines[c]						*4 Thailand*[d]					
	Export prices		*Import prices*		*Terms of trade*		*Export prices*		*Import prices*		*Terms of trade*	
	Annual	*3 year moving average*	*Annual*	*3 year moving average*	*Annual*	*3 year moving average*	*Annual*	*3 year moving average*	*Annual*	*3 year moving average*	*Annual*	*3 year moving average*
1955	100.0		100.0		100.0		100.0		100.0		100.0	
1956	101.4	101.4	101.4	102.0	100.0	99.4	91.5	94.1	100.0	100.9	91.5	93.3
1957	102.8	103.7	104.6	104.3	98.3	99.4	90.8	91.8	102.6	100.6	88.5	91.3
1958	106.9	108.5	107.0	106.9	99.9	101.4	93.2	94.2	99.3	100.0	93.8	94.3
1959	115.9	112.3	109.2	109.2	106.1	102.8	98.6	97.8	98.0	99.0	100.6	98.8
1960	114.1	111.7	111.5	111.3	102.3	100.4	101.6	99.7	99.7	99.6	101.9	32.6
1961	105.0	108.4	113.2	113.4	92.7	95.7	98.8	99.2	101.0	98.5	97.8	100.7
1962	106.2	110.0	115.4	116.9	92.0	94.0	97.1	97.1	94.9	96.6	102.3	100.6
1963	118.8	112.0	122.0	120.5	97.4	92.9	95.5	96.3	93.8	94.2	101.8	102.2
1964	110.9	114.2	124.1	124.1	89.4	92.0	96.3	96.5	93.9	94.1	102.5	102.5
1965	112.8	112.5	126.2	126.2	89.4	89.2	97.6	98.1	94.5	93.6	103.3	104.8
1966	113.8	114.2	128.2	127.9	88.8	89.3	100.5	99.3	92.5	93.0	108.6	106.8
1967	115.9		129.3		89.6		99.7		92.0		108.4	

Sources: A.22 (for the key, see Appendix I-A-1).

[a] Base year of original price indices: 1958.

[b] West Malaysia. The secretariat was not in a position to cover East Malaysia in this study. Base year of original price indices: 1952 (for 1952-1959), 1959 (for 1955-1965) and 1964 (for 1961-1967).

[c] Base year of original price indices: 1965.

[d] Base year of original price indices: 1960.

policies of the governments. Finally, inflation uncompensated by variations in the exchange rates is the classic cause of deterioration in the internal terms of trade of exports, as deflation is the cause of an improvement. The fear of inflation which appears occasionally as the supreme principle of the economic or monetary policy of some export economies derives logical support from the economic danger of a transfer of real income from the export sectors.

Flexible exchange rates (as in the Philippines till 1962), multiple exchange rate systems or their equivalents (in Ceylon since 1968 and in the Philippines in 1960) or devaluation (the Philippines in 1962 and Ceylon in 1967) will reverse trends in the internal terms of trade against exports.

The consequences of persisting declines in the internal terms of trade of exports will vary with the causes and with the character of the economy. To the extent that the movement is not explained by productivity rises above the national average it tends to reduce the attractiveness of export production relative to other activities to all factors capable of moving, unless the factors are cushioned against the change in relative prices by adjustments in export taxes or by increases of subsidies. The internal terms of trade may not, of course, enter the decisions of foreign firms in the export sector, and other factors may be extremely immobile because of the heavy fixed investment in perennial crops. (Tea land in Ceylon is useless for other cultures.) But there is a broad margin of integration between the export sector and the rest of the economy: while the two may not depend much on each other's products, factors will move between them. Coconut and rubber smallholders and generally the producers of annual crops can and do move into and out of the export sector, though often only under great pressure. In essential sectors of the four countries' exports, however—in the plantations and generally in tree crops—short-term mobility is low. Gestation periods are long and so is the life of productive capacity, which can also often (e.g. tea and rubber) be prolonged chemically. A tea plant takes 3-5 years to come into bearing and may bear for 30-50 years. Rubber trees mature in perhaps 6 years and will produce for up to 30 years. Production is likely to be carried on so long as variable costs can be covered. This immobility may help to explain the length of time for which the trend in the internal terms of trade could continue in Ceylon, West Malaysia and the Philippines. In the plantations, decisions to reduce output have to be taken a long time in advance of the actual reduction, though this is often not the case in smallholdings. The delayed reaction of output is likely to destabilize quantities of output, possibly also export revenue and employment, and thus poses special problems of forecasting and long-term policy decisions. To the extent that labour costs are important in export production, a rise in the prices of items of consumption which are not produced within the export sector may directly affect export profits. If the domestic production of inputs into export production is being advanced behind protective walls, costs or prices in the domestic sector will act directly in the export sector.

Fluctuations in the internal terms of trade tend in some export industries to affect profits and independent incomes more than labour income.[14] The nature and organization of estate labour reinforce this tendency which, if it persists for any length of time, reinforces the effect of movements in the internal terms of trade of the export industries. There are escapes from this pressure which, whatever its social value, illustrates the peculiar imperfection of the labour market in developing economies, the employer paying prices which have little to do with the present scarcity price of labour throughout the economy. Sliding scales of wages on rubber estates mitigate the pressure, but not apparently so fully as to weaken the trend to the parcellation of estates which removes some of the pressure of unions and labour law from the Malaysian rubber planter. The growth of the gravel-pump sector in the Malaysian tin industry, at the expense of the dredging sector which is organized in larger units, was presumably also encouraged by the wish to escape inflexible wage bills.

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[14] This is, for instance, reflected in the declining share of profits, rents and independent incomes in the product of Ceylonese export industries between 1965 and 1966, from 29 to 24 per cent of the values added. Labour incomes rose from 46 to 52 per cent. Cf. Ministry of Planning and Economic Affairs, Ceylon, *Economic Development, 1966-1968* (August 1967), p. 57.

A deterioration of the internal terms of trade of the export sector and transfers of resources from it to the rest of the economy was unavoidable in all these countries if total product was to grow as fast or faster than exports. Nor was there, in the short run, much choice of methods by which the transfer was to be made. The most efficient method, it might be argued, would be to tax the profits (or incomes) from exports and to employ the revenue for subsidizing developments in other parts of the economy. Where the export sector has little truck with the rest of the economy, the actual methods of resource transfer did, in fact, reproduce this method: export taxes might be regarded as direct taxes in many instances and if the producers of exports buy little of the output of other sectors in the economy they will not be much affected by the rise in the prices of protected outputs. If the subsidized profitability of enterprise in the non-export sector lures resources away from export production this will not matter much till foreign exchange becomes a major bottleneck — and thus an underpriced resource — in the economy. But when that stage approaches the transfer of resources from exports to the rest of the economy becomes a troublesome policy problem, disguising itself in a variety of ways and thus often inviting merely symptomatic treatment. Since production demands imported materials, and normally does so to a much greater extent in the non-export sector than in exports, there is need for balanced growth between exports and the rest even if there is no case for other forms of balanced growth; the balance being adjustable only to the extent that the import component of production and essential expenditure can be reduced over time. Also, the amount of resource transfer is ever more difficult to assess as the export industries begin to, or are compelled to, buy inputs and consumption goods from the rest of the economy. This gives rise to what has become known as 'negative protection'—a form of taxing export production for the benefit of the rest of the economy. This is again no conclusive evidence of a mistake in national policy because resource transfers from exports may be justified and the methods available for the transfer may not be variable. This problem of insufficient export growth, compounded by the irrationality of much of the measures of domestic protection, arises from the total effect of resource transfers from the export sector, and these are a matter both of the transferred, the methods of transfer which differ in their efficiency (or their effect on resource use in exports), and the response of export producers. Given the stage of internal integration which the four economies have reached and the actual or prospective balance of payments problems in at least Ceylon, Malaysia and the Philippines, it is difficult to see how the balance between exporting and the remainder of activity can be struck without some form of systematic projection combined with a planning of economic policy.

The external terms of trade

Changes in the external terms of trade (table I-A-5) affect the economy's rate of growth because they affect the relative productivity of different activities, and because they affect the real equivalent (the quantity of imports) of exports. Estimates of the growth of national product eliminate price changes in order to arrive at quantities of output, but in eliminating changes in the terms of trade they present a wrong picture of the rate at which the quantity of outputs available to an economy in any one year has been changing. Exports are sold to buy imports from outside the system and need therefore to be counted in terms of equivalent import quantities. The greater the relative size of the export sector and the less the scope for alternative uses of exportable products the stronger is the case for correcting the growth rates for changes in the terms of trade.[15]

One part of this adjustment is attempted in table I-A-6, which merely corrects the growth rates of national product for changes in export prices. The composition of exports has undergone much less change than that of imports and the latter have often been quite deliberate. Changes in import prices are thus less easily interpreted than those in export prices.

In Ceylon and West Malaysia, the uncorrected rates of growth of national product are reduced when account is taken of changes in export prices (on the hypothesis that import prices remained constant). The difference persists irrespective of whether export price changes are measured for exports as composed in the initial year or for exports as composed in whichever year is examined. The Philippines and Thailand benefited from rising export prices.[16]

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[15] This is done regularly by the Central Bank of Ceylon in its annual reports, and recently also by the Central Bank of Malaysia.

[16] The differences between the two corrections presented for West Malaysia, the Philippines and Thailand are really too small to bear the weight of much explanation. But it seems that Thailand and West Malaysia changed the composition of their exports in favour of commodities that rose less in price than their earlier exports. The opposite may have occurred in the Philippines: exports the growing fastest were those with the greatest price increases. The constancy in the composition of Ceylon's exports made the calculation of two corrections superfluous.

Table I-A-6. Real national product corrected for changing export prices: Annual percentage rates of change

Country	*Definition of national product*	*Annual rate of change of national product*	*1956*	*1957*	*1958*	*1959*	*1960*	*1961*	*1962*	*1963*	*1964*	*1965*	*1966*	*1967*	*Annual Average* Total series	*Annual Average* 1961-1967
Ceylon	GNP, constant 1959 factor costs	1. Uncorrected					6.7	2.2	4.4	2.8	6.7	1.1	2.3	4.2	*3.8*	
		2. Corrected for change in export prices (1959 = 100), current quantities[a]					6.5	-0.2	3.7	3.0	6.4	1.5	1.3	2.6	*3.1*	
Malaysia[e]	GDP, constant 1960 market prices	1. Uncorrected	1.5	1.3	-0.3	6.7	11.9	5.1	5.7	4.8	4.5	7.5	6.0	4.8	*5.0*	*5.5*
		2a. Corrected for change in export prices (1959-1961 average = 100) current quantities[b]	-1.4	-0.6	-3.2	12.7	15.2	-1.1	5.1	3.3	5.3	9.8	4.3	1.6	*4.25*	*4.0*
		2b. Corrected for change in prices, 1959-1961 average quantities[b]	-1.8	-0.9	-4.0	13.6	15.4	-1.2	5.1	3.7	4.9	9.8	4.9	2.5	*4.3*	*4.2*
Philippines	GNP, constant 1955 market prices	1. Uncorrected								7.6	2.5	5.7	5.5	5.8	*5.4*	
		2a. Corrected for change export prices (1959-1961 average = 100), current quantities[c]								9.0	2.2	6.0	5.5	6.2	*5.8*	
		2b. Corrected for change in export prices, 1959-1961 average quantities[c]								8.6	2.3	5.9	5.4	6.0	*5.6*	
Thailand	GNP, constant 1957 prices	1. Uncorrected			0.8	10.4	10.7	4.3	5.4	10.0	6.0	8.8	11.1	4.9	*7.2*	*7.2*
		2a. Corrected for change in export prices (1960 = 100), current quantities[d]			1.2	11.1	10.6	3.6	5.3	9.5	5.8	9.3	11.3	5.6	*7.3*	*7.2*
		2b. Corrected for change in export prices, 1960 year quantities[d]			1.6	10.7	10.3	3.9	6.0	9.3	5.9	9.0	11.3	5.9	*7.4*	*7.3*

Sources: A.1, A.20, A.7 (for the key, see Appendix I-A-1).

Note: The correction for changes in export prices can be done in two different ways:

i) "*corrected for export prices, current quantities*" (*2a in the table*).

The year's national product at constant prices is adjusted for changes in the export prices (relative to a base year) of export products combined in the actual quantities of the current year. The adjustment (addition) to national product at constant prices (D_p) can be written as

$$D_p = \sum_i p_{i1} q_{i1} - \sum_i p_{io} q_{i1}$$

where p is price and q stands for quantity and the subscripts designate the current (1) and the base (0) years. If export prices fell the adjustment takes the form of a subtraction from national product at constant prices.

ii) "*corrected for change in export prices, base year quantities*" (*2b in the table*).

This correction differs from the first by adjusting national product at constant prices for the effect of changing export prices on the quantities of products exported in the base year. The adjustment (addition) to national product at constant prices (D_L) can be written as

$$D_L = \sum_i p_{i1} q_{io} - \sum_i p_{io} q_{io}$$

using symbols as before.

If export prices have fallen, the adjustment to national product at constant prices, on either method, will be a subtraction. If the composition of exports has been changing so as to include more of the commodities which experience the sharpest fall in prices, the first method will indicate a larger negative adjustment to national product than the second.

[a] Exports of tea, rubber, coconut oil, and copra and desiccated coconut.

[b] Exports of rubber, tin and tin concentrates, timber (round and sawn), iron ore, palm oil, coconut oil and canned pineapple.

[c] Exports of sugar, copra, coconut oil, copra meal and cake, desiccated coconut, abaca, logs and lumber, plywood, copper concentrates and canned pineapple.

[d] Exports of rice, rubber, maize, jute and kenaf, tin-in-concentrates, teak and tapioca products.

[e] West Malaysia. The secretariat was not in a position to cover East Malaysia in this study.

The gain of the Philippines, however, seems to disappear if account is also taken of the actual movement of import prices, i.e. of the full merchandise terms of trade. This is done in table I-A-7, which expresses the gains and losses from movements in the terms of trade as a percentage of the observed quantities of exports. Thailand appears as the only gainer: the purchasing power of its exports is estimated to have risen between 1955/57 and 1965/67 by 108 per cent while the quantity of its exports only rose by 80 per cent. But for the movement of the terms of trade, its exports would have had to be greater by 15 per cent to pay for the quantity of imports actually bought in 1965/67.

In Ceylon, more than the entire increase of the volume of exports over the past decade was swallowed up by the worsening terms of trade,[17] in West Malaysia about 40 per cent and in the Philippines about 10 per cent. In Ceylon, the movement may be attributed in approximately equal parts to a rise of import prices and a fall of export prices while the movement in the Philippines was due to import prices rising faster than export prices. Since the indices of import prices show the change in the average price of imports as currently composed, and since the composition of imports is increasingly determined by development policy, the rise in the index number may reflect the cost of development as well as increasing prices in the normal sense. The improvement in Thailand was due mainly to falling unit values of non-military imports. Military imports may have included a good deal of capital goods for construction.

Only in West Malaysia, where import prices appear quite stable, can the deterioration of the terms of trade be blamed rather unambiguously on export prices.

Table I-A 7. Changes in the international terms of trade gains and losses in terms of the realized quantity of merchandise exports

Index numbers or percentages

	Ceylon 1955/57 = 100		*Malaysia*[a] *1955/57 = 100*		*Philippines 1955/57 = 100*		*Thailand 1955/57 = 100*	
	1961/63	*1965/67*	*1961/63*	*1965/67*	*1961/63*	*1965/67*	*1961/63*	*1965/67*
1. Index of quantity of exports[b]	113.2	119.2	133.8	153.0	130.3	166.4	130.7	180.4
2. Index of equivalent quantity of imports (purchasing power of exports)[c]	102.1	88.9	118.4	133.0	120.6	149.5	141.4	207.7
3a. Percentage of export quantity absorbed by deterioration in terms of trade[d]	10.9	25.4	11.5	13.1	7.4	10.2		
3b. Percentage of export quantity saved by improved terms of trade[e]							8.2	15.1

Sources: A.21, A.22 (for the key, see Appendix I-A-1).

[a] West Malaysia. The secretariat was not in a position to cover East Malaysia in this study.

[b] Merchandise exports at constant prices, f.o.b. Ceylon - prices of 1958; West Malaysia, Thailand - prices of 1960; Philippines prices of 1955.

[c] Current value of exports, f.o.b., deflated by import price index (index of import unit values).

[d] $\frac{(2)-(1)}{(1)}$ which is equivalent to the terms of trade reduced by unity. When this number is negative (row 3a) it indicates the percentage of the *relative quantity of exports in the terminal period* which was required to compensate for worsened terms of trade. When the number is positive (row 3b) it indicates the gain from improved terms of trade, expressed as the percentage of current exports which could be used to buy additional imports.

4. The characteristics of exports

Concentration

The extent to which national exports are narrowly or widely diversified among commodities is usually considered relevant to the stability of export receipts. The greater the concentration of exports—a concentration that may quite possibly reflect comparative advantages—the more vulnerable will they be to the failure of one type of supply in isolation or to demand variations abroad. If exports are much concentrated in commodities which form a large part of world supply, risk is somewhat reduced in the short run: the chance of foreign demand moving abruptly because of relatively important changes in foreign supplies is lessened, and failure or abundance of domestic supply is likely to influence the external price in a compensating sense. This is probably the case of Ceylon's tea (recently 62 per cent of Ceylon's exports and 37-40 per cent of world trade), Malaysian rubber and tin metal (together 67 per cent of West Malaysia's exports and 57 and 53 per cent respectively of net world trade), Philippine coconut products (recently 31 per cent of Philippine exports and 26 per cent of world supply) and Thai rice (33 per cent of Thailand's exports and about 25 per cent of world trade).

The adaptability to changes in world demand in the strictly short run is obviously less if exports are highly concentrated. In the longer run, however, a relatively high concentration such as all four countries display at any one moment need not conflict with successful adaptation. Ceylon does indeed present a striking picture of extremely high concentration of exports with a practically immobile commodity structure over some twelve years. In the Philippines, however, where coconut products, centrifugal sugar and logs and lumber held about 72 per cent of total exports in 1955/59 and in 1965/67, logs and lumber have come reasonably close to changing place with sugar.

Diversification proceeded furthest in Thailand. Maize, tapioca products and jute were insignificant exports in 1955, held 12 per cent of total exports in 1960 and 21 per cent in 1967. Since table I-A-8 presents percentage distributions of values, the changes which it reveals in the composition of exports are not necessarily desired in the sense of deliberate adaptations: the composition varies with price changes and undesired changes in supplies.

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[17] See table I-A-7. The quantity of exports rose by 19 per cent but the purchasing power of this larger volume of exports, which would also have grown by 19 per cent but for the deteriorating terms of trade, was 11 per cent less than it would have been at 1955/57 prices.

Problems of stability are posed unambiguously by the concentration of output (or share of output) for export. The greater the part of an industry's output that is exported the more difficult will it be to stabilize the industry's income in times of low foreign demand by transferring from exports to the home market, to keep domestic prices steady in the face of increases in foreign demand (but with a very small domestic demand, the effect of increases in prices will not be important), and, of course, also to stabilize export revenue in times of short supply by transferring output from domestic consumption.

In West Malaysia, coconut products and sawn timber, each of which accounted for less than 5 per cent of exports in 1965/67, were predominantly sold for home use. Seventy six per cent of exports, representing about 26 per cent of GDP or just over one-third of commodity output, consisted of commodities that had virtually no domestic market.

In Ceylon, 80 per cent of export commodities in 1967, equal to perhaps 37 per cent of the output of agriculture, forestry, fishing and processing of export crops and paddy, or some 22 per cent of total commodity output, had no domestic market of any consequence (table I-A-9). Coconut products, representing some 12 per cent of total exports, form the only exception. The contrast between tea consumption in Ceylon and India indicates the lack of room for manoeuvre in Ceylon. Between 1955 and 1965, the production of tea rose in both countries by about 130 million pounds, but while Indian consumption took almost three-quarters of this, domestic absorption in Ceylon declined very slightly; Ceylon's exports approximated those of India by 1960/61.

Table I-A-8a. Ceylon: Percentage distribution of commodity exports and coefficient of commodity concentration

Year	*Value of exports (million Rs)*	*Tea (%)*	*Rubber (%)*	*2 commodities (%)*	*Coconut products (%)*	*3 commodities (%)*
1951	1,904	42	31	*73*	17	*90*
1955	1,940	62	18	*80*	12	*92*
1959	1,754	60	17	*77*	14	*91*
1960-1964[a]	1,796	63	16	*79.4*	12	*91.6*
1965-1976[a]	1,779	62	17	*79.3*	12	*91.3*

Coefficient of commodity concentration[b]

1962 : 67.4
1965 : 65.8

Source: A.20 (for the key, see Appendix I-A-1).

[a] Annual averages.

[b] The coefficient measures the degree of concentration of total exports upon individual commodity exports. Commodities are defined for the purpose of this table as Standard International Trade Classification (Revised) Groups (3 digits). The coefficient takes values between 1 (indicating that only one 'commodity is exported) and 0 which is approached as the diversification of exports increases. Technically, the coefficient is defined as

$$C = 100\sqrt{\sum_i \left(\frac{X_i}{\sum_i X_i} \right)^2}$$

where X_i is the value of the export of the i^{th} commodity ($i = 1, 2, \ldots$)

Table I-A-8b. Malaysia[a]: Percentage distribution of commodity exports and coefficient of commodity concentration

Year	*Value of Exports (million M$)*	*Rubber (%)*	*Tin (%)*	*2 commodities (%)*	*Palm oil and kernels (%)*	*3 commodities (%)*	*Copra & coconut oil (%)*	*Iron ore (%)*	*5 commodities (%)*	*Logs, sawn timber (%)*	*Canned pineapple (%)*	*7 commodities (%)*
1950-1954[b]	2,269.0	60.6	18.1	*78.7*	2.6	*81.3*	1.8	0.8	*83.9*	0.8	0.4	*85.1*
1955-1959[b]	2,233.5	61.2	14.2	*75.4*	1.5	*76.9*	2.2	2.8	*81.9*	1.3	0.9	*84.1*
1960-1964[b]	2,728.0	50.3	17.4	*67.7*	1.0	*68.7*	2.7	5.9	*77.3*	2.1	1.0	*80.4*
1965-1967[b]	3,037.7	41.8	24.9	*66.7*	0.8	*67.5*	3.9	4.6	*76.0*	3.5	1.4	*80.9*

Coefficient of Commodity concentration[c]

1962 : 57.7
1965 : 52.7

Source: A.20 (for the key, see Appendix I-A-1).

[a] West Malaysia. The secretariat was not in a position to cover East Malaysia in this study.

[b] Annual averages.

[c] See note (b) to table I-A-8a.

Table I-A-8c. Philippines: Percentage distribution of commodity exports and coefficient of commodity concentration

Year	*Value of exports (thousand US$)*	*a.Coconut products*	*of which:* *Copra*	*Coconut oil*	*Desiccated coconut*	*Copra meal or cake*	*b.Sugar centrifugal*	*2commodities*	*c.Logs & lumber*	*3commodities (a+b)*	*d.Abaca unmanufactured*	*e.Plywood*	*5commodities (a–c)*	*(a–e)*
		(%)	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	
1950	331,000	56.6	41.7	6.5	7.3	1.1	13.9	*70.5*	3.2	*73.7*	12.6	0.01	*86.3*	
1955	400,600	38.0	29.6	4.1	3.2	1.1	26.5	*64.5*	10.4	*74.9*	6.9	0.23	*82.0*	
1966-1959[a]	461,440	37.7	28.7	4.7	3.3	1.0	22.4	*60.1*	12.4	*72.5*	7.3	1.1	*80.9*	
1960-1964[a]	617,013	31.1	21.5	5.5	2.8	1.3	22.2	*53.3*	19.2	*72.5*	5.1	2.1	*79.7*	
1965-1967[a]	802,991	31.1	18.9	8.3	2.3	1.6	16.9	*48.0*	23.8	*71.8*	2.4	2.2	*76.4*	

Coefficient of commodity concentration[b]

1962 : 38.9
1963 : 39.9
1964 : 38.5
1965 : 38.2

Source: A.20 (for the key, see Appendix I-A-1).
[a] Annual averages.
[a] See note (b) to table I-A-8a.

Table I-A-8d. Thailand: Percentage distribution of commodity exports and coefficient of commodity concentration

Year	*Value of exports (million baht)*	*Rice*	*Rubber*	*2commodities*	*Tin-in-concentrate & tin metal*	*3commodities*	*Teak*	*Tapioca products*	*5commodities*	*Maize*	*Jute & kenaf*	*7 commodities*
		(%)	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*
1950	4,155.0	40.2	17.5	*57.7*	6.2	*63.9*	3.4	0.6	*67.9*	0.3	0	*68.2*
1955	7,120.5	44.0	25.3	*69.3*	6.2	*75.5*	3.7	0.7	*79.9*	1.1	0.2	*81.2*
1960	8,614.3	29.8	29.9	*57.7*	6.2	*65.9*	4.1	3.3	*73.3*	6.4	2.7	*82.4*
1964	12,339.2	35.6	16.7	*52.3*	7.8	*60.1*	1.5	5.3	*66.9*	10.9	4.0	*81.8*
1967	14,253.0	32.7	11.0	*43.7*	12.8	*56.5*	1.4	5.3	*63.2*	9.5	6.2	*78.9*

Coefficient of commodity concentration[a]

1962 : 43.7
1966 : 37.4

Source: A.20 (for the key, see Appendix I-A-1).
[a] See note (b) to table I-A-8a.

The importance of rice in the exports of Thailand, and of sugar, timber, and also coconut products in the Philippines places them in a very different position from Ceylon and West Malaysia. But the external dependence of the export outputs in the Philippines and of rice in Thailand is still high enough to have called for regular policy intervention to stabilize domestic prices (e.g. sugar in the Philippines, rice in Thailand) or to have influenced prices and domestic supplies significantly (e.g. logs, lumber and their products in the Philippines).

Variability of export receipts

Variations in export receipts are the results of major factors of instability which economic policy must seek to contain. Table I-A-10 records the fluctuations in total values, volumes and unit values of leading export commodities around their trend in so far as this could be established in a statistically acceptable manner.[18] Rubber, tea, jute, rice and tin have, of course, experienced large fluctuations of external demand. The statistics in table I-A-10 however, cannot distinguish between fluctuations which arise from the side of supply, that is from within the economy and thus in no way peculiar to export production, and further fluctuations which arise outside the economy. The quantities and prices of commodities interact whenever the exporting country accounts for a significant share of world supply as is the case of the chief export of each of the four countries and occasionally of their lesser exports as well. It follows that fluctuations in price cannot be regarded as indicators of variations in foreign demand. For commodities like rubber where the responsiveness of producers to changes in foreign demand is low and which have no significant domestic market, variations in quantity exported are likely to reflect variations in production. For other commodities (e.g. coconut or rice) one or the other or both of these conditions is not fulfilled and consequently the average fluctuation in export quantities cannot be correlated with variations in supply.

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[18] The degree of fluctuation about the trend is measured by the coefficient of variation, as explained in the notes to table I-A-10. The period 1954-1957 was halved and straight lines were fitted to the observations in each subperiod.

The record of fluctuations serves the purpose of showing the size of the task of stabilization facing economies which are known to be relatively export-dependent and must thus operate in a particular setting of economic and institutional relationships. It might seem that the size of the task of stabilization is best expressed in the variability of total export receipts. Whether this is so depends on the ability of the authorities to transfer resources within the economy. If this ability is low, a decline in the variability of total export receipts accompanied by an increase in the variability of the receipts of individual industries may not in practice ease the task of the authorities. If the computations in table I-A-10 can be accepted, this consideration is relevant to Thailand where it appears that the variability of total export receipts increased while that of leading exports declined between the two periods.

The fluctuations recorded in table I-A-10 were measured from trends. The actual fluctuations may have been greater or more abrupt. The task of stabilization is thus complicated by the need to discern the trend and to adapt long run policy to it. Since it takes time to learn about the trend while

Table I-A-9a. Exports of leading commodities as percentage of production
Ceylon, and tea exports from Ceylon and India

Year	*Tea*		*Rubber*		*Coconut products*	
	Production (million lb)	*Per cent exported*	*Production (1000 t)*	*Per cent exported*	*Production (million nuts equivalent)*	*Per cent exported*
1960	435	94.3	218	107.8	2,362	49[a]
1963	485	94.0	231	90.5	2,704	
1965	503	98.4	261	102.3	2,835	49[b]
1967	487	98.2	316	92.1	2,577	

Production and exports of tea in Ceylon and India

	Ceylon		*India*	
	Production (million lb)	*Per cent exported*	*Production (million lb)*	*Per cent exported*
1950/51	306	97	613	72
1955/56	380	95	678	60
1960/61	435	94	708	62
1965/66	503	98	808	54

Sources: A.20, A.5 (for the key, see Appendix I-A-1). — ECAFE, Regional Plan Harmonization Sub-Regional Consultations on Coconut and Coconut Products. A study on regional plan harmonization on economic co-operation in coconut and coconut products. (RPH/CCP/1, 18 September 1968), p. 57. —*Central Bank of Ceylon Bulletin*, August 1967, p. 38.

[a] 1959-1962.

[b] 1963-1965.

Table I-A-9b. Exports of leading commodities as percentage of production: Malaysia[a]

	Rubber		*Remilled rubber*[b]		*Tin and tin-inconcentrates*		*Palm oil*		*Coconut oil*		*Iron ore*		*Sawn timber*		*Canned pineapple*	
	Production (1000 t)	*% exported*	*Production (1000 t)*	*% exported*	*Production (1000 t)*[c]	*% exported*[d]	*Production (1000 t)*	*% exported*	*Production (1000 t)*	*% exported*	*Production*[e] *(1000 t)*	*% exported*	*Production (1000 t)*[f]	*% exported*	*Production (1000 t)*	*% exported*
1950-1952	636.5	99	...	...	58.1	106	49.7	97	81.4	70	782.7	100	...	...	...	
1957-1959	674.8	99	89.8	100	45.1	104	67.6	94	82.1	58	3,477.7	100	523.4	24	27.9	100
1960-1962	730.1	100	100.7	100	56.4	104	98.3	96	85.6	39	6,223.3	100	732.1	26	35.0	100
1964-1966	856.0	100	84.1	100	65.2	107	152.3	98	67.3	27	6,310.0	100	966.2	34	53.0	100

Sources: A.20, A.5 (for the key, see Appendix I-A-1).

[a] West Malaysia. The secretariat was not in a position to cover East Malaysia in this study.

[b] Includes rubber remilled and smoked in factories off estates.

[c] Tin-metal content.

[d] Excess of exports over production presumably due to underestimation of tin-content of tin-in-concentrates.

[e] Export tonnage.

[f] Tons of 50 cubic feet.

fluctuations of relatively unknown meaning must be coped with as they occur, and since the instruments available for stabilization work with relatively obscure time lags, stabilization even in advanced countries is a baffling and complex task of policy. The task was particularly daunting in the early nineteen-fifties because of the commodity boom of 1951 and the later reaction to it. Table I-A-10 compares the post-Korean War years of the nineteen-fifties with the nineteen-sixties. Between those periods, the variability of total export receipts appears to have risen for Thailand and the Philippines, and possibly also for Ceylon.[19]

Among individual export products, the variability of receipts and prices of coconut products appear to have risen. Thailand appears, on the whole, to have experienced a lessening of fluctuations (after the trend) of leading individual commodity exports. In the other countries, increasing variability appears to have been limited to few commodities. The absolute size of those fluctuations often remains considerable, also occasionally in aggregate export values. However difficult it may be to stabilize or stably develop a relatively closed economy, there is in principle more control over internal movements than over those outside, in the sense of both information, which is notoriously bad on export prospects, and of the range of effectiveness of the measures which a government could take.

It is a matter of debate whether the variability of export receipts increases with the degree of concentration of exports though it is generally found to rise with the proportion of primary commodities in exports. Any given variance of export receipts, however, is likely in principle to generate stronger destabilizing forces the larger exports are relative to income. If export demand were the only economic variable subject to fluctuations, this conclusion would be obvious.[20] Output, however, also fluctuates and

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[19] The fit of linear trend lines to the two sub-periods was poor for Ceylon, in terms of both the coefficient of determination and the standard errors of the regression coefficients. On these unacceptable trends, the standard deviation of observations increased between the two periods from 93 million rupees to 102 million rupees. The data were also analyzed by a different method. A linear trend was fitted to the entire period 1950-1967 and was found to be statistically acceptable. The average annual percentage fluctuation from trend values were then computed for the two periods 1954-1960 and 1961-1967. They were found to be 4.2 and 5 per cent respectively.

[20] It is easiest to show this on the simplifying assumption that the marginal propensities to save (s) and to import (m) equal the average propensities. In that case one may start from the well known equation of the foreign trade multiplier:

$$\frac{dY}{dX} = \frac{1}{s + m}$$

where Y stands for income and X for exports. The elasticity (e) of income with respect to exports is then derived as

$$e = \frac{X}{Y} \cdot \frac{dY}{dX} = \frac{1}{s + m} \cdot \frac{X}{Y} = \frac{X}{sY + mY}$$

If exports are initially equal to imports (X = M)

$$e = \frac{X}{S + X} = \frac{1}{S/X + 1}$$

In developing (i.e. poor) countries it is found that the ratio S/X — or the average savings ratio relative to the ratio of exports to national product — is lower, the greater the export dependence. The percentage variation in income per one per cent change in exports will thus be the higher.

Table I-A-9c. Exports of leading commodities as percentage of production: Philippines

Year	*Copra & coconut oil* Production (1000 t)	*Copra & coconut oil* % exported	*Desiccated coconut* Production (1000 kg)	*Desiccated coconut* % exported	*Copra meal or cake* Production (100 kg)	*Copra meal or cake* % exported	*Sugar* Production (1000 t)	*Sugar* % exported	*Logs and lumber* Production (1000 board feet)	*Logs and lumber* % exported	*Abaca* Production (t)	*Abaca* % exported	*Plywood* Production (1000 square feet)	*Plywood* % exported
1960	1,408.0	63.8	...	...	...	...	1,387	78.6	3,141,847	51.9	99,501	101.7	324,027	55.3
1963	1,511.3	88.5	...	...	...	...	1,555	66.0	4,506,377	55.6	111,988	91.8	400,143	48.6
1965	1,446.4	86.6	...	...	...	...	1,558	65.3	3,549,942	88.6	98,011	91.1	...	...
1966	1,610.0	88.5	92,794	72.4	263,000	90.9	1,402	69.9	3,532,954	105.8	85,955	91.8	—	—
1967	1,360.0	82.6	125,260	48.6	200,000	92.5	1,659	62.9	4,723,784	77.0	73,450	91.7	—	—

Sources: A.20, A.5 (for the key, see Appendix I-A-1).

Table I-A-9d. Exports of leading commodities as percentage of production: Thailand

Year	*Rice* Production (1000 t)	*Rice* % exported	*Rubber* Production (1000 t)	*Rubber* % exported	*Tin-in-concentrates* Production (1000 t)	*Tin-in-concentrates* % exported	*Maize* Production (1000 t)	*Maize* % exported	*Kenaf and jute* Production (1000 t)	*Kenaf and jute* % exported	*Teak* Production (1000m³)	*Teak* % exported	*Yang wood* Production (1000m³)	*Yang wood* % exported
1950-1952	4,471.4	28.53	108.67	98.27	13.8	72.46	37.80	53.17	-	-	259.9	32.25	229.8	-
1955-1957	4,623.7	29.29	137.30	97.81	17.4	98.85	106.37	67.05	17.07	46.86	231.3	36.80	368.5	22.06
1961-1963	6,046.7	23.50	193.26	97.57	20.1	99.35	707.13	84.07	236.73	71.41	124.3	36.60	386.3	16.14
1965	6,083.8	31.20	217.40	97.00	*Tin metal*[a]		1,021.30	78.80	538.10	59.00	219.0	20.65	540.0	11.08
1966	7,818.0	19.30	220.00	92.05	17.0	101.90	1,250.00	97.50	559.00	84.70	187.0	26.45	535.0	6.42
1967	6,332.7	23.50	219.00	96.21	26.5	100.60	1,000.00	109.30	289.00	112.40	165.0	21.66	525.0	3.24

Sources: A.20, A.5 (for the key, see Appendix I-A-1).

[a] The export of tin in concentrates gave place to the export of tin metal after the tin smelter entered into operation. Since 1965 is a year of transition between these forms of tin exports no percentage has been presented for that year.

a closed economy might in principle experience fluctuations of output no smaller than in an open economy. But if foreign demand fluctuates as well, the open economy still has to anticipate instability from a wider range of causes. The likelihood of irregular fluctuations or of fluctuations of very different magnitude, increases if export dependence and commodity concentration of exports are both high. The commodity composition of output is then very different from the commodity-structure of demand or, comparing countries at broadly similar levels of development, the commodity concentration of output also tends to be higher in the export-dependent economy. This is likely to raise the vulnerability of the economy to events which cause fluctuations in particular supplies. Increases in output and indeed in productivity in agriculture have in some countries been found to be associated with increased percentage fluctuations.

While there are thus some reasons to believe that significant export dependence is attended by stronger destabilizing forces than affect relatively independent economies, this need not be so in all cases. But the causes of fluctuations will differ and so will the methods available for evening them out.

In Ceylon, West Malaysia and Thailand, aggregate national product and exports fluctuate together. This is not observable in the Philippines where production for export grew faster than total output and where the export dependence was somewhat smaller than in Thailand; but the shortness of the series of revised income estimates may be obscuring the picture.

To the extent that supply regulates exports one must expect export and total national product in largely agricultural economies to move together. Similar factors tend to affect both at the same time. In addition, the quantities of national product and of exports grow with time and thus one with the other. To eliminate at least the latter tendency, the annual changes in national product and exports, at constant prices, are compared in chart I-A-*2*. The relationship between the absolute annual changes is obvious though in all three countries it appears to change with time.

Table I-A-10. Variability of the values, quantities and unit values of exports: Ceylon, Malaysia,[a] Philippines and Thailand. Coefficients of variation[b]

	Value		*Quantity*		*Unit value or price*	
	1954-1960	1961-1967	1954-1960	1961-1967	1954-1960	1961-1967
1. *Ceylon*						
Tea	n	n	6.7	5.0	8.0	5.5
Copra	n	n	34.4	46.3	13.5	16.0
Dessicated coconut	n	n	n	n	47.1	14.7
2. *Malaysia*[a]						
Total value of exports	18.6	7.4	-	-	-	-
Rubber	n	n	8.4	9.4	16.6	12.0
Tin & tin-in-concentrates	n	n	18.2	8.2	n	n
Timber, round & sawn	38.5	39.3	37.1	34.9	n	n
Iran ore	60.3	12.3	51.9	8.4	10.9	5.0
Palm oil	19.8	28.9	22.5	27.3	n	n
Palm kernels	35.0	12.1	n	n	10.4	11.4
Pineapple	19.6	21.8	22.0	24.4	5.3	3.4
3. *Philippines*						
Total value of exports	13.4	18.0	-	-	-	-
Copra	5.4	22.1	n	n	n	n
Coconut oil	n	n	n	n	17.8	11.0
Dessicated coconut	n	n	n	n	12.4	8.0
Copra meal & cake	11.8	35.6	n	n	n	n
Logs & lumber	46.6	27.9	36.4	29.7	n	n
Abaca	18.4	25.2	10.4	17.1	19.6	14.9
Plywood	105.7	30.7	106.0	29.8	n	n
Copper concentrate	53.6	43.3	64.7	21.5	29.7	25.7
4. *Thailand*						
Total value of exports	11.3	17.8	-	-	-	-
Rice	19.5[c]	13.7	n	n	12.7	12.2
Rubber	31.6	10.1	12.5	6.3	n	n
Maize	95.5	39.3	101.2	33.6	13.1	7.2
Jute & kenaf	118.8	53.6	103.7	49.2	n	n
Teak	n	n	n	n	8.4	11.7
Tapioca products	59.3	23.7	76.8	28.6	23.3	6.3

Sources: A.20, A.21 and A.23 (for the Key, see Appendix I-A-1).

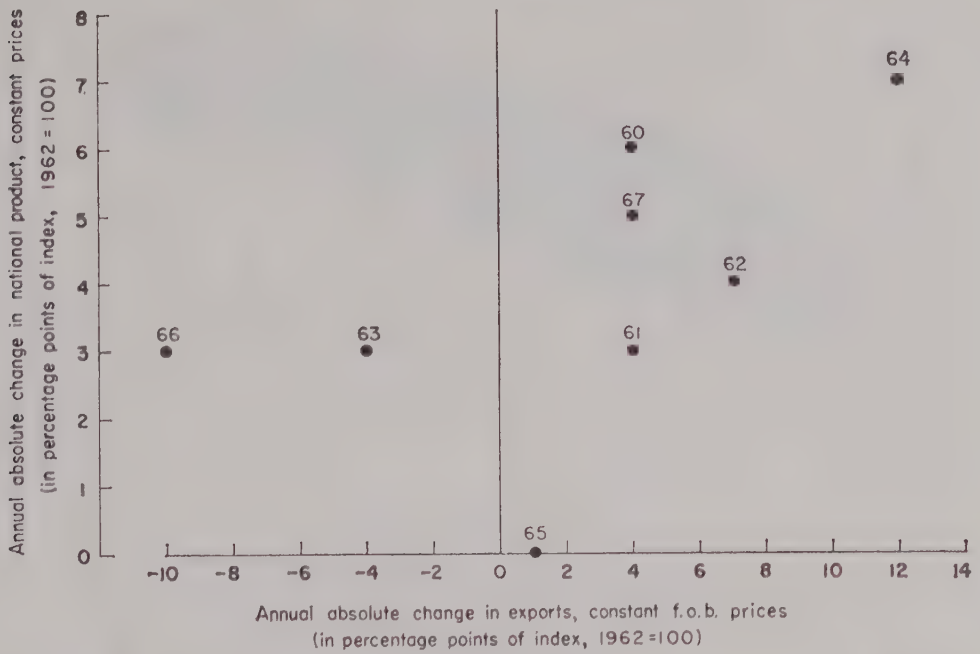
n = linear relation not acceptable.

[a] West Malaysia. The secretariat was not in a position to extend the analysis to the entire territory of Malaysia.

[b] The coefficient of variation is the standard deviation of the observations of the determinable variable divided by the mean of the observations. It may be understood as measuring the average percentage fluctuation of the series around its trend.

[c] 1954-67.

Chart I.A.2: Changes in national product and in exports, at constant price Ceylon: 1960-1967



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In Ceylon, where output for domestic use began to move strongly ahead in 1966 the observations for 1966 and 1967 may have been derived from a different kind of economy, one in which national product is more independent of exports than in the average of earlier years.

In West Malaysia and Thailand, the relationship between changes in national product and in export quantities seems well-established. In Malaysia it appears different for the earlier and the later parts af the reviewed periods. In so far as this difference is not wholly due to improved statistical methods for the later parts of the series[21] it indicates a lessening of the average dependence and apparently also the marginal dependence, of national product (in terms of volume) on the quantity of exports.[22]

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[21] The national accounts of Malaysia are available on a revised basis for the years from 1960 onwards. For Thailand, the set of revisions of 1965 affects the series from 1957 on, and thus cannot contribute to the explanation of the diversity of behaviour apparent in the two subperiods in chart I-A-2.3. A further revision affects the years beginning with 1964.

[22] It will be observed that the lower scatter in the diagrams corresponds to a curve relating GNP to exports which bends upwards or is a straight line through the origin. The higher scatter corresponds to a GNP-exports curve which bends forward. This appears to bear out the suggestion in the text that the marginal GNP/export ratio has lessened. Upward or forward bending GNP-export curves are, nevertheless difficult to accept. It is, however, well known that such shapes can be generated by linear relationships, varying in height according to the average *observed* GNP-export ratio. Consideration of the manner in which curves of the described shape could be generated from underlying linear relations, in conjunction with a consideration of the actual time pattern of the sizes of first differences in the GNP and the exports of West Malaysia will again bear out the suggestion in the text.

5. The position of imports

Dependence of national product on exports implies also dependence on imports. The greater the degree of export dependence and of the concentration of exports the less will be the correspondence between the commodity composition of domestic production and of domestic demand. These discrepancies determine the commodity composition of imports.

In terms of the import content of their gross domestic expenditures[23] (table I-A-11) the four coun-

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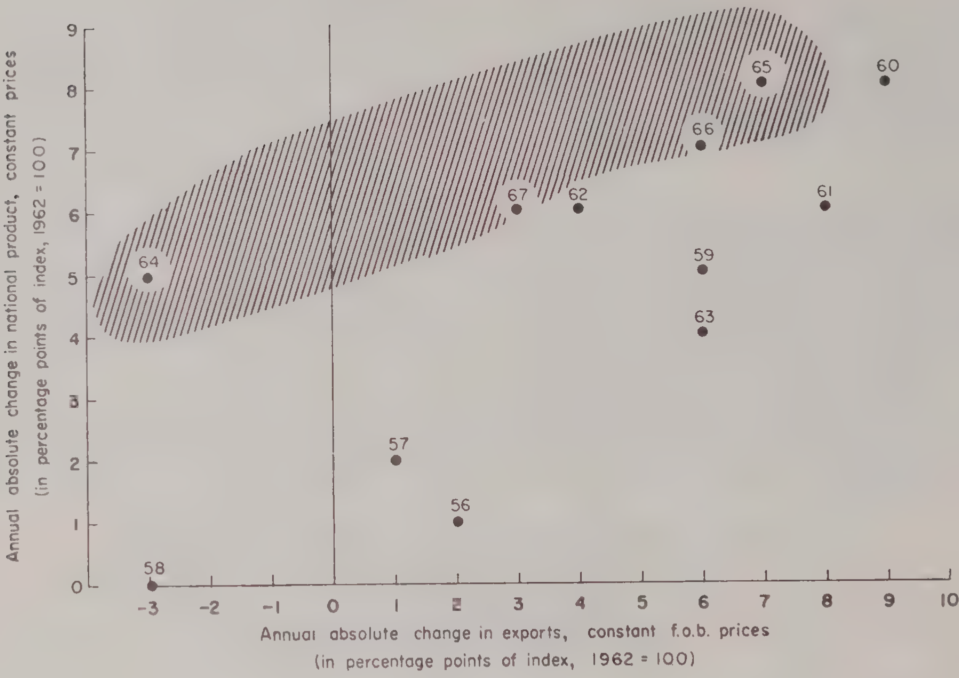
[23] Gross domestic expenditure is the sum of expenditures on consumption and capital formation. It equals gross domestic product minus the excess of exports over imports. With a surplus in the current account of the balance of payments, gross domestic expenditure will be less than gross domestic product, and vice versa if the payments are in deficit.

Chart I.A.3: Changes in national product and in exports, at constant prices West Malaysia: 1956-1967



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tries in this study follow the same ranking as in their export dependence. The movement over time of the import content of expenditure is also similar to that of export dependence, with striking declines in Ceylon and West Malaysia. Generally, again, the level of import dependence is a good deal higher than that of export dependence. This difference is due in part to the unequal weight of taxes on exports and imports,[24] and, for the rest, to capital inflows[25] or the use of external assets to finance current payments.

The observed degrees of export dependence in conjunction with significant levels of export concentration imply the likelihood of imports containing essential consumer goods. This is particularly true of Ceylon and West Malaysia since their export ratios exceed their saving ratios; as was also, but no longer is, the case of the Philippines and Thailand. If exports exceed savings there will be imports for consumption.[26]

In the composition of Ceylon's imports, consumption goods have maintained a reasonably constant share. This is largely due to the need to import food in quantities which have declined only recently after the reduction of the guaranteed rice ration and increases of domestic production. The main observable change is the decline of consumption imports other than food, which were drastically pared as a matter of policy, and the increasing share of materials for consumption goods which reflect the growth of domestic manufacturing. The striking reduction of the import component of domestic consumption expenditures, with a more or less constant composition of imports,

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[24] Imports and exports are measured gross of tax. The value of exports, however, includes services while imports had to be measured at c.i.f. values plus duty, with no adjustment for the services which are added before the goods confront the domestic buyer.

[25] Including grants which are occasionally booked as a credit in the balance of payments current account.

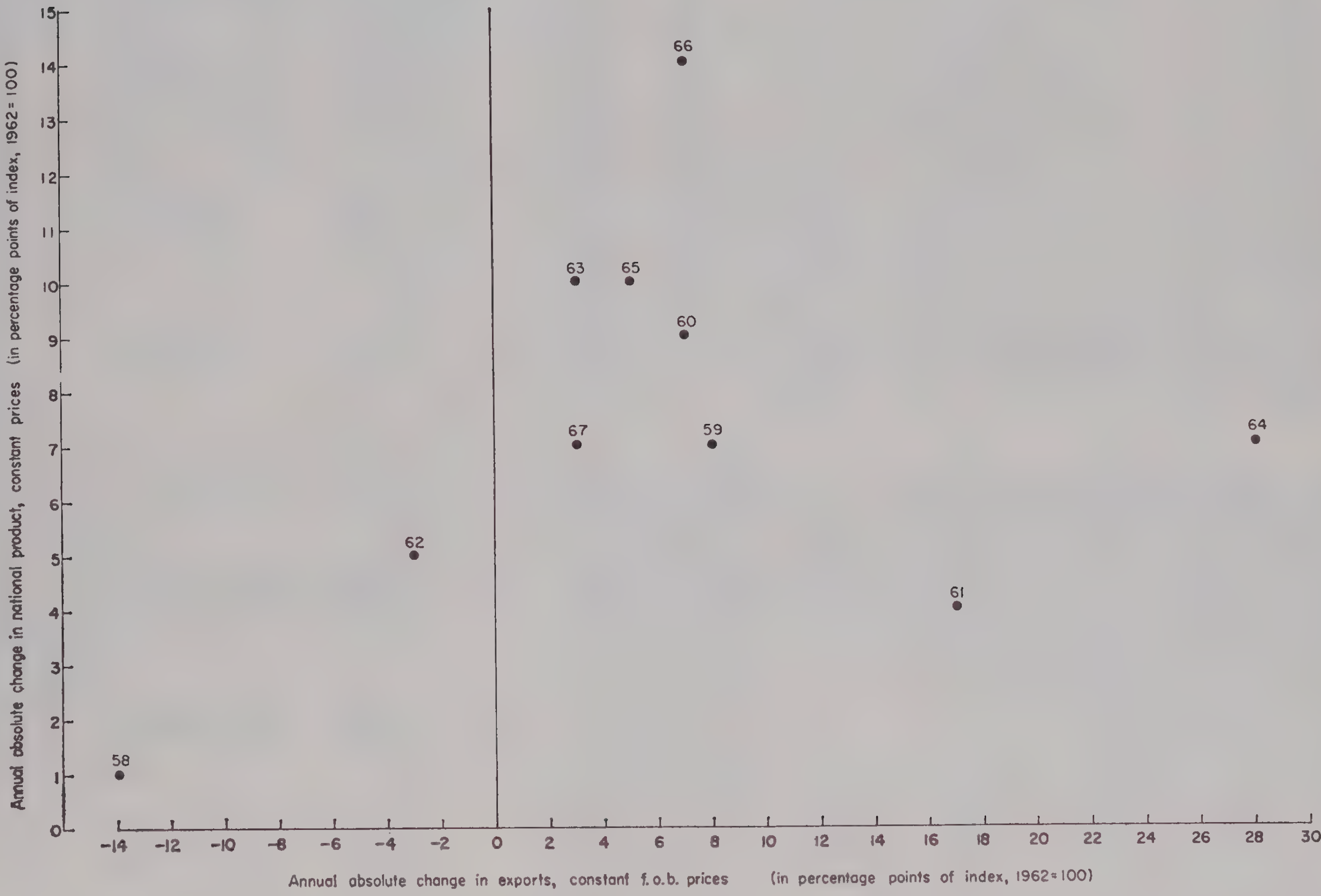
[26] For an intuitive explanation of this relation, consider an economy which exports all its product and consumes part of its income. Savings will then be less than income and income will be less than or equal to the value of exports, according to whether exports have an import content or not. All consumption goods will be imported. At the other extreme is the closed economy. Any savings that are made will exceed exports, of which there are none. All consumption goods are domestically produced.

In fact, however, the statement in the text only holds if the import content of exports is zero.

Formally, if exports exceed saving, imports must exceed investment. But the import content of investment cannot be greater than total (expenditure on) investment. Imports, exceeding investment, must thus contain non-investment goods: for consumption and/or for exports.

It can then be shown that consumption imports will be positive if the ratio of exports to investment is less than or equal to the ratio of value added in investment to the import coefficient of exports. Choosing what seem to be maximum values for these coefficients in Asian countries - say .5 for the value added in investment and .15 for the import content of exports, consumption imports would be positive if exports were no more than 3.3 times investment expenditure.

Chart I.A.4: Changes in national product and exports, at constant prices
Thailand: 1958-1967



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has its major cause in the growth of domestic production for domestic consumption; the share of consumption in total domestic expenditure has risen somewhat since the end of the nineteen fifties.[27]

In the structure of its imports, Malaysia also displays the signs of growth in domestic consumption goods industries but, unlike the case of Ceylon, import of finished consumer goods other than food have increased their share of total imports in the present decade. The dependence on imported food began to decline earlier than in Ceylon. Investment expenditure has approximately maintained its share in total domestic expenditure and the import coefficient of investment has also remained virtually constant at its high level.[28] But the constant average import content of investment hides divergent movements of its components: the share of construction rose in total capital formation. Having a lower import coefficient than other capital formation, this by itself would have lowered the average import content of investment. It was, however, apparently compensated by a rise in the import content of non-construction investment. This presumption derives support from the growth of the import of finished capital goods relative to imports of materials for investment. Non-construction investment seems to require more goods of a technologically advanced character.

The sharp increase in Thailand's expenditure on investment relative to consumption explains the sharp rise in the share of investment goods in total imports, reinforced by a decline in the import component of investment which can be attributed to the especially rapid growth of construction. The declining share of consumption in total expenditure and the slight upward tendency of the overall import component of expenditure reconcile the steady decline of the share of consumption in imports with the relatively constant import coefficient of consumption expenditure.

The short series for the Philippines[29] shows a downward movement in the share of imports of finished consumer goods, with a slight increase in materials for consumer goods. Finished capital goods, have increased continuously in total imports.

Problems of economic policy

The import content of capital formation has been declining in Ceylon, West Malaysia and Thailand

Table I-A-11. Imports of goods and services relative to gross domestic expenditure[a]

(Percentages)

Year	*Ceylon* Goods and services[b] to GDE		*Malaysia*[d] Goods and services[b] to GDE		*Philippines* Goods and services[b] to GDE		*Thailand* Goods and services[b] to GDE	
		Merchandise imports[c] to GDE		Merchandise imports[c] to GDE		Merchandise imports[c] to GDE		Merchandise imports[c] to GDE
1955			44.7	42.9				
1957			45.5	43.2			24.1	21.8
1959	39.7	35.4	43.8	41.8			22.4	20.9
1960	39.3	35.2	48.8	46.0			21.9	20.7
1961	35.9	32.4	47.0	44.0			22.4	21.0
1962	37.1	33.8	46.6	44.0	21.6	17.8	22.6	21.0
1963	33.7	30.6	45.2	42.5	19.2	17.5	23.0	21.5
1964	33.3	30.9	43.8	40.4	20.9	19.6	24.8	22.9
1965	32.2	30.1	42.8	39.3	20.7	18.8	24.4	22.4
1966	32.4	30.2	41.0	37.4	20.5	18.6	24.3	22.4
1967	30.7	28.5	38.7	35.8	23.0	20.6	26.5	23.5

Sources: A.1, A.2, A.3, A.41 (for the key, see Appendix I-A-1).

[a] Gross domestic expenditure equals the sum of all expenditure in the country less expenditure on its exports. It is here taken at current market prices.

[b] Imports of goods and services, f.o.b., from balance of payments.

[c] Merchandise imports including tax, to approximate market value. The value of domestic services added to the value of imports (c.i.f. post tax) is not included. Merchandise imports, c.i.f. except for Philippines, from trade statistics.

[d] West Malaysia. The secretariat was not in a position to cover East Malaysia in this study.

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[27] Table I-A-12 compares the share of import categories in total imports with the import component of the equivalent sectors of total expenditure. Table I-A-11 presents the import components of total expenditure. The combination of these three variables, if estimated on similar principles, yields the relation of total expenditure to the particular category of expenditure, e.g.:

$$\underset{(1)}{\frac{\textit{Consumption imports}}{\textit{total imports}}} \times \underset{(2)}{\frac{\textit{total imports}}{\textit{total expenditure}}} \times \underset{(3)}{\frac{\textit{total expenditure}}{\textit{consumption expenditure}}} = \underset{(4)}{\frac{\textit{consumption imports}}{\textit{consumption expenditure}}}$$

If, for example, (4) stays constant over time while (1) declines and (2) declines also, (3) must have risen: in the given example, the share of consumption in total expenditure would have declined. The ratios in tables I-A-11 and I-A-12 cannot be combined to yield accurate estimates of the ratio of total expenditure to its components. This is so because imports were not valued consistently at c.i.f. or post-tax prices.

[28] Imports for investment as a share of total imports have risen but total imports declined as a proportion of total expenditure. Hence the higher share of investment goods in imports is consistent with approximate constancy in both the share of investment expenditure in total expenditure and the import coefficient of investment.

[29] The revised series of the national accounts of the Philippines are not, at the time of writing, available for the years before 1962. Since the revisions affect expenditure estimates in particular the calculation of the import contents of expenditures for earlier years seems inadvisable.

(no conclusion on this question being possible for the Philippines because the period of the statistics is too short). This decline is presumably linked to the growth, in terms of absolute additions to expenditure, of capital formation in construction, which demands, relatively large inputs of labour and domestic materials. A move to a different composition of capital formation is likely to raise this coefficient again. Even a smaller volume of capital formation might then require more foreign exchange since capital goods industries (other than cement) are quite small. The declining tendency of the share of materials for investment goods in the

Table I-A-12. The composition of gross domestic expenditure and of imports, and the import components of consumption and investment

(Percentages)

Country	1953	1955	1957	1959	1960	1961	1962	1963	1964	1965	1966	1967
Ceylon												
I. *Consumption*												
1.0 Consumption expenditure: share in total domestic expenditure	…	…	…	83.1	85.7	84.0	84.6	84.3	85.9	87.2	87.2	86.6
2. *Imports for consumption:*												
2.0 As proportion of total imports	74.7	72.2	70.7	69.7	70.8	70.4	70.5	68.8	77.7	72.6	75.4	72.4
2.1 As proportion of total consumption expenditure												
a) direct content, imports at market prices	…	…	…	38.2	37.4	33.3	32.6	27.7	28.2	26.1	27.3	20.7
b) estimated total content, imports c.i.f.	…	…	…	25.6	23.6	20.8	19.7	16.5	22.6	15.7	21.2	16.4
2.2 Food of total imports	48.2	42.3	39.5	39.4	37.9	39.2	37.9	42.1	51.2	40.5	47.2	45.1
2.3 Food imports of food expenditure[a]	…	…	…	41.3	41.4	39.1	39.5	36.6	37.0	37.8	38.5	28.8
II. *Investment*												
3. *Imports for investment:*												
3.0 As proportion of total imports	25.3	27.8	29.3	30.3	29.2	29.6	29.5	31.2	22.3	27.4	24.6	27.6
3.1 As proportion of investment expenditure												
a) direct content of gross fixed capital formation, imports at market prices	…	…	…	50.6	50.7	45.5	43.5	42.5	43.4	37.5	45.7	41.5
b) estimated total content of gross capital formation, imports, c.i.f.	…	…	…	54.7	58.5	45.7	45.2	40.3	39.6	40.4	47.3	38.9
III. *Materials*												
4. *Imports of materials as proportion of total imports:*												
4.0 Materials for consumption	7.3	9.9	10.7	10.3	10.9	11.5	13.6	13.8	12.1	17.8	15.1	16.1
4.1 Materials for investment	10.4	11.5	13.3	8.6	8.3	9.7	9.5	9.9	6.7	9.9	7.1	8.7
4.2 Total imports of materials	17.7	21.4	24.0	18.9	19.2	21.2	23.1	23.7	18.8	27.7	22.2	24.8
Malaysia[b]												
I. *Consumption*												
1.0 Consumption expenditure: share in total domestic expenditure	…	88.4	85.9	88.9	83.7	82.9	80.5	81.0	81.6	81.6	82.0	82.1
2. *Imports for consumption:*												
2.0 As proportion of total imports	…	…	…	…	66.5	65.9	60.2	62.7	64.2	61.9	60.1	61.7
2.1 As proportion of total consumption expenditure	…	…	…	…	35.4	34.4	32.8	32.9	31.6	29.9	27.8	27.7
2.2 Food of total imports	…	…	…	…	29.8	28.7	25.8	28.3	29.4	25.0	23.9	25.1
2.3 Food imports of food expenditure	…	…	…	…	33.8	31.4	29.9	33.1	34.1	28.9	27.2	…
II. *Investment*												
3. *Imports for investment:*												
3.0 As proportion of total imports	…	…	…	…	33.5	34.0	39.7	37.4	35.8	38.0	40.0	38.3
3.1 As proportion of investment expenditure	…	…	…	…	76.1	72.2	74.1	71.4	68.3	70.6	74.2	68.3
III. *Materials*												
4. *Imports of materials as proportion of total imports:*												
4.0 Materials for consumption	…	…	…	…	12.2	13.2	12.6	13.9	16.5	17.8	18.5	18.2
4.1 Materials for investment	…	…	…	…	9.6	9.8	9.0	7.3	6.3	5.8	6.2	5.9
4.2 Total imports of materials	…	…	…	…	21.8	23.0	21.6	21.2	22.8	23.6	24.7	24.1
Philippines												
I. *Consumption*												
1.0 Consumption expenditure: share in total domestic expenditure	…	…	…	…	…	…	82.5	80.7	80.4	78.6	78.7	78.4
2. *Imports for consumption:*												
2.0 As proportion of total imports	…	63.8	55.6	52.9	…	…	52.3	51.5	49.4	50.7	…	…

Table I-A-12 (cont'd)

Country	1953	1955	1957	1959	1960	1961	1962	1963	1964	1965	1966	1967
Philippines (continued)												
2.1 As proportion of total consumption expenditure	...	...	...	...	...	...	11.3	11.2	12.3	12.1	...	...
2.2 Food of total imports	...	18.7	17.6	13.4	...	...	14.9	16.9	15.7	19.3	14.4	14.9
II. *Investment*												
3. *Imports for investment:*												
3.0 As proportion of total imports	...	36.2	44.4	47.1	...	...	47.7	48.5	50.6	49.3	...	...
3.1 As proportion of investment expenditure	...	...	...	...	...	...	48.5	43.9	45.9	43.2	...	...
III. *Materials*												
4. *Imports of materials as proportion of total imports:*												
4.0 Materials for consumption	...	16.5	18.3	24.4	...	...	27.6	25.4	25.4	23.4	...	...
4.1 Materials for investment	...	11.4	9.8	8.9	...	...	4.1	4.1	5.2	5.5	...	...
4.2 Total imports of materials	...	27.9	28.1	33.3	...	...	31.7	29.5	30.6	28.9	...	...
Thailand												
I. *Consumption*												
1.0 Consumption expenditure: share in total domestic expenditure	...	...	84.2	81.4	81.1	82.4	79.4	78.8	79.4	77.4	72.6	73.9
2. *Imports for consumption:*												
2.0 As proportion of total imports	...	50.1	53.9	53.8	51.3	53.2	49.8	45.7	46.9	54.5	51.9	...
2.1 As proportion of total consumption expenditure	...	...	...	...	15.6	15.9	15.6	15.2	15.8	15.3	16.2	15.3
2.2 Food of total imports	...	8.5	8.2	8.2	8.2	7.6	6.6	6.4	6.2	5.5	8.6	...
2.3 Food imports of food expenditure	...	...	4.1	4.4	4.0	3.5	3.3	3.3	3.4	3.3	3.3	2.8
II. *Investment*												
3. *Imports for investment:*												
3.0 As proportion of total imports	...	39.9	46.1	46.2	48.7	46.8	50.2	54.3	53.1	50.5	48.1	...
3.1 As proportion of investment expenditure	...	...	...	...	62.7	58.3	55.5	51.8	50.1	48.6	49.2	49.0
III. *Materials*												
4. *Imports of materials as proportion of total imports:*												
4.0 Materials for consumption	...	11.3	12.2	12.6	12.1	13.9	13.8	14.3	17.3	18.2	15.6	...
4.1 Materials for investment	...	9.2	10.6	9.8	11.1	10.1	10.4	10.1	9.8	7.4	10.7	...
4.2 Total imports of materials	...	20.5	22.8	22.4	23.2	24.0	24.2	24.4	27.1	25.6	26.3	...

Sources: *Expenditures* - A.1 (for the key, see Appendix I-A-1). *Ceylon, direct import content of expenditures* - A.1. *Philippines expenditures on imports:* Imports, c.i.f., from International Monetary Fund, *International Financial Statistics*, various issues, plus taxes on imports, calculated from basic data in A.1. *Categories of imports*—ECAFE, Asian Statistics, and for Malaysia, ECAFE secretariat.

[a] Food expenditure computed as the sum of (i) locally purchased food, (ii) consumption of imported rice, wheat, flour and sugar and (iii) imports of other food and drink. Consumption of imported food = (ii) + (iii).

[b] West Malaysia. The secretariat was not in a position to cover East Malaysia in this study.

imports of all the countries points to the same expectation. The growth in particualar of local production of construction materials, and the shift towards technically higher stages of production have moved the emphasis of investment imports to finished goods such as construction and mining machinery, tractors and metal shaping machines.[30] So long as non-essential consumption has a high import component or reserves or aid are available, the necessary supplementary reallocation of foreign exchange may be done easily. If these conditions cease to hold, especially if external reserves tend downwards and foreign capital inflows become less certain, the problem will appear in a different light. Since the foreign exchange component of consumption is less than that of investment, savings equal to the domestic value of investment cannot assure the necessary foreign exchange. Consumption expenditure will therefore have to be depressed further, and in the short run this implies a decline in the incomes of the producers of the domestic component of consumption. In the long run, this type of inconsistency between investment and income growth can only be lessened by so planning production throughout the economy as to reduce the foreign exchange component of investment; that is, to accept less consumption and possibly also a lower rate of productivity increase in the short run in exchange for more continuous growth in the future. Given the large external reserves of Thailand and West Malaysia, this contingency may not appear of interest to their policy makers at this time. But if their incomes are to continue rising faster than their exports — and the rate of growth of exports over the past decade would only have secured for either country an annual growth of income per head of less than 3 per cent — the structure of their outputs and capacities will have to change. A different structure of their economies would, of course, require less external reserves but in relatively uncontrolled market economies these must remain at a substantial level even with a lower import component of national expenditure. If these as well as the further problems of unemployment and of the distribution of income are to be solved the balance between future real resources and real (commodity) demands must be accepted as a guide to action. This demands forms of planning in the double sense of developing plans as distinct from projections and of shaping current policy in the light of the plans.

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[30] And motor cars, which the ECAFE classification of imports treats as finished capital goods.

In the two economies in which export dependence declined most — in Ceylon and West Malaysia— the import content of consumption expenditure also declined. The growth of the two economies, at rates faster than the growth of imports (or exports) was due to the increase in the domestic production for consumption, notably of food. The form of imports for consumption also changed. The proporton of materials for domestic processing rose and that of finished consumer goods declined. This change presumably reflects the transition to a different relation between domestic production and external trade: the declining dependence of producers (or income) on foreign sales is accompanied by an increasing dependence of production (or income) on imported inputs. In Ceylon, this relation has already made itself painfully felt when foreign exchange scarcities entailed reductions in the imports of materials for production and together with it much excess capacity in local factories. The transition is from a state of high direct dependence of income on foreign trade to a state of high indirect dependence. It entails important changes in the tasks of policy and is likely to demand changes in the fiscal system and in monetary institutions and policy. Put schematically, a state of high direct dependence on exports means that much of income is earned from exporting while much of the income is spent on the import of finished goods which do not involve domestic production except services. Falls in export revenue, in this situation, release deflationary forces (incomes falling immediately) while rising exports revenues threaten inflation; but since much of income is spent on imports in a finished form, external imbalance will tend to right itself rather readily. Schematically again, indirect dependence on exports implies a lesser dependence of producers' incomes on foreign trade and a higher dependence of domestic production on imports. Falling export revenues now tend to release inflationary impulses since domestic supply is reduced (and its price raised) in the first instance, before a significant impact is felt on incomes; and rising export revenues exert a deflationary force since their immediate impact is on the supply situation of domestic production rather than on domestic incomes. The problem of assuring external balance, without massive deflationary measures in times of falling exports,[31] is likely to be a major preoccupation of policy since the structure of the economy does so little to help.

The peculiar difficulties of the policy situation of Ceylon arise from the conjunction of a still considerable dependence of income on exports with a growing dependence of production for domestic use on imported materials and with a high import content of food consumption. In the short run, at least till the domestic supply of food is enlarged, imports seem inflexibly mortgaged.

The transition from one form of dominant export dependence to another — a transition in the course of which economies that appear simple to their policy makers become complicated — requires careful foresight and control. The labour of exercising foresight is considerable, not only because so much depends on agriculture but also because the public sector is not normally large and private business is not in a good position to formulate long-range plans for investment and output. But without such foresight, the control over the economy must necessarily be exercised with great restraint and the objective of raising national product at a faster rate than exports cannot be ensured.

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[31] or the opposite when exports rise.

6. Taxation

Fiscal institutions and policies present obvious areas for adjustments to meet changes in economic circumstances such as were discussed in the preceding sections.

The growth in the size and the development expenditures of the public sectors in all four countries was made possible to a large extent by internal and external borrowing, grants and military support, which led in part to the creation of economically valuable assets. If incomes are to grow faster than exports it is likely that the public sector, including its activities as a mediator of resource transfers between other sections of the economy, will have to continue to grow faster than the rest of the economy. The infrastructual requirements of all four economies, if output for domestic use is to grow apreciably, are very large. This is so irrespective of whether the initiative in commodity production and commercial and financial services is to be left to the private sector. In the longer run, industrialization is likely to require the financial intervention of the public sector. The question of budgetary resources is thus posed, together with the question of public savings which is bedevilled by the variances in definitions of expenditures. The need to manage a changing economy, and to make adjustments to the market prices of resources so as to assert simple principles of social cost poses the further problem of the tactical potential of the tax system. It appears especially important in economies in which the scope for monetary policy is narrow, not least because commercial banks follow rules of credit-worthiness and of collateral requirement which confine their services largely to foreign trade and urban property development.[32]

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[32] Commercial bank returns on the ownership of deposits and the purposes of loans are among the weakest economic statistics and need probably to be interpreted as a compromise between reality and the wishes of the monetary authorities. In Thailand, the officially compiled analysis of the *loans, overdrafts, discounts and investments of commercial banks* for December 1966 showed about 30 per cent of overdrafts and 42 per cent of discounts to have been made for imports or exports; adding up to about 40 per cent of the total.

Table I-A-13. Central government current revenue and tax revenue related to national product at market prices, and the share of indirect taxes in tax revenue

(Percentages)

Country	1959	1960	1961	1962	1963	1964	1965	1966	1967
Ceylon									
1. Revenue as percentage of GNP	21	21	22	23	21	22	22	22	22
2. Tax revenue as percentage of GNP	17	17	19	18	17	18	18	17	17
3. Indirect taxes as percentage of tax revenue	80.5	82.2	77.4	77.1	76.6	78.3	78.6	79.7	78.7
Malaysia[a]									
1. Revenue as percentage of GNP	17	18	18	18	18	18	18	19	20
2. Tax revenue as percentage of GNP	14	15	15	14	14	13	14	15	16
3. Indirect taxes as percentage of tax revenue	82.1	78.4	73.0	72.4	73.5	74.5	74.6	72.8	74.4
Philippines									
1. Revenue as percentage of GNP	...	...	...	11.7	11.3	11.8	11.2	11.2	11.7
2. Tax revenue as percentage of GNP	...	...	...	10.8	10.6	10.4	9.9	10.0	10.1
3. Indirect taxes as percentage of tax revenue	73.0	70.4	72.4	71.8	71.3	70.7	66.6	70.0	67.4
Thailand									
1. Revenue as percentage of GDP	...	12.1	12.0	12.2	12.4	12.9	14.1	13.1	13.9
2. Tax revenue as percentage of GDP	...	11.1	11.1	11.3	11.3	12.0	12.9	11.8	12.6
3. Indirect taxes as percentage of tax revenue	...	77.8	78.0	80.0	76.4	79.6	77.2	72.1	77.5

Source: A.1, A.40, A.41 (for the key, see Appendix I-A-1).

[a] West Malaysia. The secretariat was not in a position to cover East Malaysia in this study.

Table I-A-14. Tax revenue from foreign trade and the indirect tax load on GNP, exports and imports

(percentages)

Country	1955	1957	1959	1960	1961	1962	1963	1964	1965	1966	1967
Ceylon											
1. *Indirect taxes*[a]											
1.1 As percentage of GNP at current market prices	...	...	13.5	13.7	13.9	14.2	13.2	13.8	14.2	13.6	13.5
1.2 As percentage of value of commodity output (including trade services and taxes)[b]	...	...	12.2	12.8	13.0	13.7	13.2	13.3	14.5	13.5	13.8
2. *Taxes on foreign trade*											
2.1 Export taxes as percentage of value of exports, f.o.b.	...	...	17.6	13.9	13.5	12.3	12.6	11.6	12.9	12.9	10.8
2.2 Import duties as percentage of value of imports, c.i.f. plus duty	...	...	15.5	17.2	20.4	21.9	21.1	19.6	22.8	19.0	23.9
3. *Government current revenue*											
3.1 Share of export taxes	...	...	23.5	18.3	15.8	14.0	14.0	12.7	14.2	12.3	9.5
3.2 Share of import duties	...	...	*30.0*	*29.3*	*29.3*	*29.2*	*25.5*	*28.0*	*24.6*	*26.6*	*28.4*
3.3 Share of taxes on foreign trade	...	...	53.5	47.6	45.1	43.2	39.5	40.7	39.8	38.9	37.9
Malaysia[c]											
1. *Indirect taxes*[d]											
1.1 As percentage of GNP at current market prices	...	13.0	14.2	15.7	14.2	13.6	13.4	13.2	13.6	14.0	14.1
2. *Taxes on foreign trade*											
2.1 Export taxes as percentage of value of exports, f.o.b.	9.9	8.3	9.2	8.9	7.3	6.8	6.7	6.9	7.4	6.9	6.6
2.2 Import duties as percentage of value of imports, c.i.f. plus duty	14.0	14.0	14.7	14.1	13.8	12.9	12.2	11.0	11.1	10.6	13.2
3. *Government current revenue*											
3.1 Share of export taxes	29.5	22.5	25.5	24.3	17.8	16.2	15.8	15.6	17.0	14.3	11.5
3.2 Share of import duties	*35.2*	*41.0*	*38.5*	*37.9*	*38.5*	*39.0*	*36.1*	*31.4*	*30.3*	*27.6*	*29.9*
3.3 Share of taxes on foreign trade	64.7	63.5	64.0	62.2	56.3	55.2	51.9	47.0	47.3	41.9	41.4

Table I-A-14 (cont'd)

Country	1955	1957	1959	1960	1961	1962	1963	1964	1965	1966	1967
Philippines											
1. *Indirect taxes*[e]											
1.1 As percentage of GNP at current market prices	...	...	...	...	...	8.6	8.7	8.6	7.9	8.0	8.2
1.2 As percentage of value of commodity[f] output (including trade services and taxes)	...	...	...	...	...	7.4	6.9	7.1	6.3	7.0	6.8
2. *Taxes on foreign trade*											
2.1 Import duties as percentage of value of imports, c.i.f. plus duty	...	...	...	...	...	12.3	12.6	10.6	9.7	10.3	9.8
3. *Government current revenue*											
3.1 Share of import duties	...	...	...	...	...	26.7	27.1	25.5	22.3	22.8	23.9
Thailand											
1. *Indirect taxes*[g]											
1.1 As percentage of GDP at current market prices	...	...	...	9.5	9.5	9.9	9.5	10.4	11.0	9.3	10.8
2. *Taxes on foreign trade*											
2.1 Export taxes[h] as percentage of value of exports, f.o.b.	...	...	...	15.5	14.0	13.0	13.6	14.7	14.4	12.2	11.5
2.2 Import duties as percentage of value of imports, c.i.f. plus duty	...	...	...	17.8	19.0	18.3	18.1	16.8	15.7	16.1	17.1
2. *Government current revenue*											
3.1 Share of export taxes[h]	...	...	...	18.3	17.5	14.6	13.3	15.1	14.2	11.5	8.6
3.2 Share of import duties	...	...	...	*30.5*	*31.7*	*31.5*	*29.3*	*29.9*	*26.4*	*25.1*	*28.9*
3.3 Share of taxes on foreign trade	...	...	...	48.8	49.2	46.1	42.6	45.0	40.6	36.6	37.5

Sources: A.1, A.40, A.41 (for the key, see Appendix I-A-1).

[a] "Taxes on production and expenditure" which include relatively small revenues from taxes on assets and property transfer.

[b] See notes to table I-A-1.

[c] West Malaysia. The secretariat was not in a position to cover East Malaysia in this study.

[d] Tax revenue other than from income and estate taxes.

[e] Import taxes, business and excise taxes.

[f] See notes to table I-A-1.

[g] Taxes on exports including premium on rice and imports, business tax and excise tax.

[h] Including fees and permits for rubber, teak and other woods levied on goods that were not actually exported.

Budgetary data are very difficult to interpret and international comparisons are particularly uncertain. Borrowings from or sales of state bonds to provident funds, for instance, are to all intents and purposes a form of direct taxation in the year in which they occur, but are of course not booked as such. Export taxes can in some cases be regarded as direct taxes[33] but are counted as indirect in the revenue accounts. Again, the public authorities of Ceylon are deriving a growing income from the current system of Foreign Exchange Entitlement Certificates under which staple exporters sell foreign exchange at one price while importers pay a fixed higher price, but this income is not presented as a tax on foreign trade. Similarly, the former dual exchange rate arrangement of the Philippines was not entered into government revenue though it was equivalent to an export tax and may have yielded annually between 1960 and 1965 an amount equal to some 14 per cent of total tax revenue. All comparisons are thus distorted by the results of arbitrary conventions which abound in the presentation of accounts, public or private.

With this cautioning, one may infer from table I-A-13 that current government revenue rose little relative to GNP in the four countries, over the years that the table examines. In the Philippines it remained constant between 1962 and 1967. In Thailand the tendency was upwards, in Ceylon and West Malaysia only slightly so. Tax revenue as a proportion of GNP remained constant, except for a rise in Thailand. The share of indirect taxes in total tax revenue seems to have declined a little in the most recent years, especially in the Philippines. Needless to say, the last comparison reflects not merely the relative size of the impositions but also the success in collecting taxes which appears low in the Philippines and limited in Thailand.

In Ceylon and West Malaysia, the state appears to be raising an appreciably larger share of the GNP than in the Philippines and Thailand. This applies to tax revenue and also to indirect taxation (table I-A-14), which is the main source of tax revenue. Government revenues in Ceylon, West Malaysia and Thailand each rely to the extent of about 40 per cent — on the taxation of foreign trade. Relative to the value of exports and imports, the respective Thai tax revenues[34] are above those in West Malaysia and higher than those of Ceylon on exports. Thailand's lesser dependence on export and the smaller share of imports in expenditure must thus explain the lesser share of state revenue in GNP. The smaller weight of trade in the Thai economy is not offset by higher average rates on activities other than foreign trade, or by a broader spread of taxes. Necessity is the mother of invention in the field of taxation also and the Thai Government has been helped in recent years by aid receipts larger than those of Ceylon or West Malaysia. But taxes on exports and imports are usually easier to raise than on other activities and the lower the export dependence of the developing economy the greater needs to be the fiscal effort per dollar of revenue.

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[33] This represents the convention of the national accounts of Ceylon, which has been accepted in the present study. Export taxes are thus regarded as a factor payment. The very low elasticity of supply of export products means that the tax is borne by the producers who will not change the quantities which they produce because of the tax.

[34] This must not be understood as a measure of the incidence of the tax on either supplier or buyer.

In all four countries, the dependence of current revenue on export and import taxes together has declined significantly over the past decade. That state revenue could form a constant or rising share of GNP speaks of considerable success in developing new sources of state revenue, nowhere more so than in West Malaysia. The recent levels of the share of foreign trade taxes in revenue remain nevertheless very high. The declining share of export duties in the three levying countries have been partly made up by the increasing share of import duties which recently provided about 30 per cent of total revenue in the three countries but only 24 per cent in the Philippines, where collection presents peculiar difficulties.

The load of taxes on exports is now less than that on GNP in Ceylon and West Malaysia, but higher in Thailand. Since the taxes are adjusted to stabilize producer (or, in practice ofter, exporter's) prices, and in Thailand also to control the domestic price of rice, the recent history of exports and their prices explains the difference.

In Ceylon,[35] the Philippines and Thailand, the tax load on imports is above that on GNP. This reflects partly the level of tax rates, which are highest on consumer durables and non-food items of consumption. As these rates protect domestic production, processing or assembly, they will ultimately present the classroom examples of a conflict between the tactical and the resource raising functions of taxes high rates and low revenue. The same conflict appears on a larger scale when the tax base of foreign trade shrinks, absolutely or relative to GNP and especially relative to the growing resource requirements of development. A crude version of the optimal operational rules for taxation would include the principle that the average level of tax loads should be determined so as to satisfy the need for resources, that its distribution between commodities and services should be governed by social objectives and the desired allocation of resources[36] and that the rates should be varied about the levels thus determined in accordance with the tactical needs of economic management. Confronted with contraction in a major base of taxation or, indeed, with growing needs for revenue, it becomes notoriously difficult to honour these principles and to maintain the allocatory and tactical functions of taxes. While export taxes remain necessary to transfer resources from relatively profitable sectors[37] to the development of the rest of the economy, including the creation of employment opportunities for labour actually released from, or not absorbed in the old proportions by export production as its productivity grows, the long run effect on the internal terms of trade needs to be borne in mind. The same applies to the effect of import taxes on the internal position of production for exports. In addition, the loading of taxes on imports may lead to serious diversions of resources in economies in which the establishment of new capacity or the diversion of existing capacity to new uses cannot be, or is not effectively controlled.

The likely decline in the role of import duties, as the structure of outputs and imports varies and resource needs grow, also raises questions of income distribution. It is likely that import taxes can, or could in the past, be applied with a smaller regressive effect than other forms of indirect taxes. The introduction of a progressive element into indirect taxation is possible but demands restraint and careful preparation.[38] Given the growing preference for indirect taxation as falling less heavily on savings than direct taxes, the various features of the developing tax system — supply, resource allocation, income distribution and tactical potential — need careful investigation as export dependence declines.[39]

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[35] Given the free entry of most foods which form about 45 per cent of total imports, the high rates on other consumption goods and materials can be inferred.

[36] Requiring often a rate of tax which will not yield maximum revenue.

[37] Even with the low rubber prices of 1967 and 1968, a new Malaysian rubber estate is likely to yield 8-12 per cent on capital. Tea also remained relatively profitable in Ceylon.

[38] The Indian tax system appears to have achieved this; cf. Government of India, Ministry of Finance, Tax Research Unite, *Incidence of Indirect Taxation, 1958-1959*, Delhi 1960.

[39] Cf. Ceylon, Sessional Paper No.X-1968, *Report of the Taxation Inquiry Commission*, April, 1968.

APPENDIX I-A-1

Sources of Statistics Used in Part I-A

Note: The numbers entered under the descriptive headings in the country columns below refer to the publications listed in Appendix I-A-2.

		Ceylon	*Malaysia*	*Philippines*	*Thailand*
A.1	National accounts	1	1 2	1	1
A.20	Trade statistics	1 2 3 9 10 11	3 4 5	1 2 3 6 7 8	2 3 4 5 6 7 8 9 10 11
A.21	Quantum indices of exports, imports	1	3 4	2	2 3
A.22	Unit value indices of exports, imports	1	3 4	2 3	2
A.23	Terms of trade indices	1	3 4	2 3	2
A.3	Balance of payments	1 4	1 2 6	12	12
A.4	Budgets	1 5 6	3 7 8 9	13	13 14 15
A.41	Tax statistics	1 7	3 7 9 10 11	1	1 3 14 15
A.5	Production statistics	1 9 10	3 12 13 14	2 3 4 5	2 3
A.6	Input-output	13	15 16	10 11 12	—
A.7	Prices: wholesale	1	3	2 3	2
A.71	Prices: cost of living	1	3	2 3	2

APPENDIX I-A-2

Sources of Statistics Used in Part I-A—List of Publications

I. *Ceylon*

1. Central Bank of Ceylon, *Annual Reports*.
2. H.M. Customs, *Customs Returns, Ceylon*.
3. ECAFE, "Asian Economic Statistics", *Economic Surveys of Asia and the Far East*.
4. International Monetary Fund, *Balance of Payments*.
5. *Budget Speeches of the Minister of Finance*, Ceylon.
6. *Budget Estimates*, Government of Ceylon.
7. Commissioner of Inland Revenue, *Administration Reports, Ceylon*.
8. Commissioner of Coconut and Cocoa Rehabilitation, *Administration Reports*.
9. Rubber Controller, *Administration Reports*.
10. Tea Controller, *Administration Reports*.
11. Food Commissioner, *Administration Reports*.
12. Central Bank of Ceylon, *Monthly Bulletins*.
13. Dunstant Perera, "A Preliminary Input-Output Table for Ceylon", *Monthly Bulletin*, July 1967, Central Bank of Ceylon.

II. *Malaysia*

1. Department of Statistics, *National Accounts of West Malaysia*.
2. *Mid-Term Review of First Malaysian Plan*, 1966-70, Malaysia.
3. Department of Statistics, *Monthly Statistical Bulletin of West Malaysia*.
4. Department of Statistics, *Monthly Statistics of External Trade, West Malaysia*.
5. Department of Statistics, *Annual Statistics of External Trade*, West Malaysia.
6. Bank Negara Malaysia, *Annual Reports*.
7. *Estimates of Federal Revenue and Expenditure*, Malaysia.
8. *Development Estimates*, Malaysia.
9. *Financial Statements*, Malaysia.
10. Customs and Excise Department, *Annual Reports*.
11. Department of Statistics, *Rubber Statistics Handbook*.
12. Department of Mines, *Bulletin of Statistics of the Mining Industry*.
13. *Annual Bulletin of Statistics*, Malaysia.
14. Department of Statistics, National Accounts of the States of Malaya, 1955-1961 (1950 input-output table).
15. Department of Statistics, *West Malaysia Inter-industry Accounts*, 1965.

III. *Philippines*

1. *The Statistical Reporter*, April/June issues of various years.
2. Central Bank of the Philippines, Statistical Bulletin, quarterly.
3. Central Bank of the Philippines, *Current Economic Indicators*, halfyearly.
4. Bureau of the Census and Statistics, *Yearbook of Philippine Statistics*, 1966.
5. FAO, *Production Yearbook*.
6. FAO, *Trade Yearbook*.
7. ECAFE, "Asian Economic Statistics", *Economic Surveys of Asia and the-Far East*.
8. ECAFE, *Foreign Trade Statistics of Asia and the Far East*.
9. OSCAS, NEC, *1961 Philippine Inter-Industry Relations*, October 1967.
10. "The 1961 Inter-Industry Accounts of the Philippines", *The Statistical Reporter*, July-September 1968.
11. "Input-Output Analysis of the Philippine Economy 1961", *Journal of Philippine Statistics*, January-March 1968.
12. International Monetary Fund, *Balance of Payments Yearbook*.
13. *The President's Budget Message*, annual.

IV. *Thailand*

1. Office of the National Economic Development Board, *National Income of Thailand*, 1965 and 1967, Bangkok, Thailand.
2. Bank of Thailand, *Monthly Report*, January 1961, November 1968.
3. Ministry of Agriculture, *Agricultural Statistics of Thailand 1965*.
4. ECAFE, "Asian Economic Statistics", *Economic Survey of Asia and the Far East*, 1961 and 1968.
5. Commonwealth Secretariat, *Rice Bulletin*, 1962, 1965 and 1968, London.
6. Commonwealth Economic Committee, *Grain Bulletin*, 1961, 1966 and 1968, London.
7. *Rubber Statistical Bulletin*, March and April 1961, 1965 and 1968, London.
8. *International Tin Council Statistical Bulletin*, April 1961, January 1966 and November 1968.
9. *West Malaysia Monthly Statistics of External Trade*, December 1967.
10. *Statistical Yearbook of Thailand*, 1956-58.
11. *Annual Statement of Foreign Trade and Navigation of Thailand*, 1950-54.
12. Bank of Thailand, Thailand's Balance of Payments, 1951-64 and 1960-1967 (mimeographed).
13. Bank of Thailand, Central Government Accounts, November 1968 (mimeographed).
14. Bank of Thailand, Central Government Revenues, August 1968 (mimeographed).
15. Bank of Thailand, Export and Import Taxes and Similar Taxes, November 1968.

APPENDIX I-A-3

Note on the Estimation of Commodity Output (Table I-A-1)

1. *Commodity output*

The product of all commodity-producing industries or sectors distinguished in the national accounts (industrial origin tables) and of transport and communications.

To be conceptually comparable with exports which include imports, taxes and trade margins in their value, commodity output must in principle be measured gross of depreciation, net of duplication and gross of taxes. If the calculation starts from values added in commodity production, transport and communications it is necessary to add (i) imports of goods for use in current production, c.i.f., (ii) the value of services (mainly trade) required to carry commodities to a stage of sale corresponding to exports (i.e., excluding retailing) and (iii) taxes falling on domestically produced commodities up to the stage of sale described under (ii) and inclusive of import duties on imported inputs.

Alternatively, trade margins may be omitted from exports and from commodity output. This was done for Ceylon, the Philippines and Thailand (see 3, 6 and 8 below).

2. *Estimation of the value of commodity output: Ceylon*

The sum of: gross value added in commodity production, transport, communications and storage (national accounts); imported inputs (ECAFE, Asian Statistics); import duties on imported inputs (government revenue statistics) estimated as total import duties *pro rata* of such imports and indirect taxes indentified as falling on commodities (all sales, turnover and licence taxes and surplus of government monopolies).

3. *Estimation of the value of exports net of trade margins: Ceylon*

Value of exports f.o.b. reduced by 15 per cent representing estimated trade margins in export values (input-output table I-A-6): sales of Trade to Exports, Plantations, Tea, Rubber; one half of sales of Trade to Coconut production; sales of Trade to Processing of tea, rubber, coconut and 27 per cent of sales of Trade to Textiles (.27 being the exported proportion of the supply of textile). Export taxes were added to the reduced value of exports.

4. *Estimation of the value of commodity output: Malaysia*

The sum of: gross value added in commodity production, transport and communications and imported inputs gross of tax (input-output table); indirect taxes on commodities including export taxes (national accounts) and trade margin on commodity output (input-output table). Estimation of trade margin: the gross value of the output of the trade sector less its purchases from Transport was related to the gross value of all commodity sales (including imports) and the reduced *pro rata* to exclude sales of Trade to imports of final goods. — The secretariat was not in a position to include East Malaysia in its study.

5. *Estimation of the value of commodity output: Philippines*

The sum of: gross value added in commodity production, transport and communications (national accounts); imported inputs into domestic production (Current Indicators, No.3); indirect taxes indentified as falling on commodities plus 64 per cent of other indirect taxes (this being the proportion of gross sales of commodity producing sectors to gross sales of all sectors excluding administration and defence); depreciation *pro rata* of the value added by commodity production, transport and communications and trade margins apportioned as for West Malaysia on the basis of the input-output table and then projected with the help of the annual outputs (values added) of the trade sector (national accounts).

6. *Estimation of the value of exports net of trade margins: Philippines*

Value of exports f.o.b. reduced by 12 per cent, representing estimated trade margins in export values (input-output table I-A-6): sales of Trade to Exports and, in the proportion of export to total output, sales of Trade to Coconut, Forestry, Other Metal Mining, Food Manufactures and Sugar Cane. Coconut and copra, forestry, other metal mining and food manufactures furnished 5/6 of the total exports of the Philipines in 1961. The total value of trade services to the producing sectors was accordingly raised by 1/6 and came thus to 12 per cent of exports as recorded in the input-output table, 1961.

7. *Estimation of the value of commodity output: Thailand*

The sum of: gross value added in commodity production, transport and communications (national accounts); imports of intermediate goods, fertilizer, pesticides, cement, construction materials and 2/3 of petroleum products (Bank of Thailand); import duty on imported inputs: duties on intermediate goods estimated by applying share of these imports in total imports to total revenue from import duty and duties on fertilizers, etc. estimated by applying share of these imports in total "capital goods imports" to customs revenue from imports of capital goods; export taxes, excise taxes and a proportion of business taxes corresponding to the share of gross value added by commodity production in gross domestic product at factor cost excluding public administration and defence; value added in trade raised by 10 per cent (to approximate total output of trade) and apportioned according to the share of value added by commodity production, transport and communications and imported inputs in the total formed by these flows and imports of final goods (national accounts and trade statistics).

8. *Estimation of the value of exports net of trade margin: Thailand*

Value of exports f.o.b. reduced by 20 per cent, corresponding roughly to the identifiable trade margin in the f.o.b. price of Thai rice exports (including certain transport cost and excluding certain trade margins earned in the transition from wholesale paddy to wholesale rice). Export taxes were added to the reduced value of exports. Commodity output was estimated without trade margins.

Chapter II

Trends and Policies

Ceylon

1. *Characteristics of the export sector*

The three major export crops of tea, rubber and coconut are completely owned and operated by the private sector.[1] Direct involvement by the public sector in marketing and export is also insignificant except in the export to mainland China of the bulk of sheet rubber produced, which is purchased at market prices and often at a premium.

There are striking dissimilarities in the organization of production of the three crops.

Tea production is the most highly organized. Estates of over 100 acres accounted for almost three-quarters of total acreage in 1967, and estates of over 500 acres for one-half. Over 55 per cent of total acreage is under corporate ownership. Similar methods of commercial management are followed in all estates whether owned corporately or by individuals, but not in small holdings which account for 17 per cent of acreage. Processing is vitally important as price differentials between teas are large. Factories are normally combined with estates: only 14 per cent of total production was from "bought" leaf while 513 out of 906 factories only processed "own" leaf. Only large acreages can make full use of the capacity of one factory. Non-nationals directly owned almost one-third of total acreage in 1967. The participation of foreign capital is, probably, much higher in marketing and export. Most of the foreign firms in marketing are subsidiaries of larger organizations in the main consumer markets.

Large size, corporate ownership and foreign control are much less important in *rubber*. Estates of over 100 acres account for less than one-half of total acreage; company estates occupy only one-quarter of the total acreage and only 14 per cent of acreage is owned by non-nationals. As rubber demands less attention than tea, the use of resident labour is much less common while the minimal processing that is required does not militate against small-holder production.

The cultivation of *coconut*, as distinct from its processing, is the least organized of the export industries. Small-holders are the rule. Coconut is comsumed and exported in varied forms, processing being particularly important in the export products (coconut oil and desiccated coconut). Domestic consumption accounts for about one-half of total production.

With the large element of small-holders, the large domestic demand and the fact that the coconut can be used for consumption without any factory processing, marketing and price determination tend to be significantly different from tea or rubber.

For tea and rubber the market is essentially the export market and the price to all producers, small-holders included, is given by the external market.[2] In the case of coconut, however, the domestic and the export markets are not closely integrated and movements take place only in response to perceptible price differentials. The small organized sector in coconut can, and apparently does, move in and out of the two markets to take advantage of price differentials; the participation of small-holders in the export market seems to be only marginal. The markets for processed coconut products (coconut oil and poonac, in particular) are, however, merged. Processing is done by large factories which move in and out of either market and thus equate prices. Desiccated coconut is the only coconut product in which Ceylon holds a significant share of world trade. The domestic market is very small and the marketing process is quite different from that for coconut oil.

2. *Factor use and income shares in export production*

Labour costs in the production of export crops are governed by statutory minimum wages and additional cost of living allowances which vary with the movement of the official index. Employers were compelled to grant extra wage payments following the devaluation of 1967. Labour is also given piece-work payments above an agreed basic output.

Considerable fringe benefits are provided by the employers, especially for resident labour.[3]

Wages are determined by wages boards through collective bargaining and, thereafter, become contractual. Labour unions are strongest in tea production; less so in rubber and least in coconut. This arises not only from the scale of operations in these crops but also from the role of resident labour.

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[1] Except for the relatively very small acreages managed by the State Plantations Corporation.

[2] Except for differences induced by marketing and transport margins and of 'bought' leaf in the case of tea. At the marketing end, of course, differing blends of tea permit the earning of differential returns in consumer markets.

[3] Education, medical care, housing, free rations of basic foodstuffs, maternity leave and contribution to provident funds being the main supplementary payments. The State itself provides free education and health services, but the need for employers to provide the same facilities arises where resident labour is present, where education has to be provided in a particular language and/or because of the distance from estates to the nearest towns.

Minimum wages have tended to remain steady over long periods, from about 1956/57 in the case of tea and rubber workers. They generally move up in times of export bonus but do not readily fall.[4] The cost of living allowance has moved up with the official index, that is, very slowly. A devaluation allowance of almost 23 per cent of the cost of living allowance was granted in late 1967—with the proviso that the cost of living allowance would be frozen at this level till such time as extra payments would have in any case been necessitated by an increase in the index.

The contractual determination of wages in production and processing for export limits the ability of employers to adjust to falling export prices. The room for manoeuvre through adjusting labour inputs has been least where labour is resident, and generally in tea production; tea bushes require continuous attention. If at all, some adjustment might be possible by cutting back on the extra payments made for piece-work above the minimum. The employer's position is easier in rubber and coconut. For one thing, rubber and coconut trees do not suffer from temporary neglect; the proportion of small-holders and self-employed is much greater in these industries and the proportion of resident labour is lower.

While the unit prices of exports have declined, minimum wages have, as noted earlier, remained quite stagnant in the export industries. Profits have thus tended to be squeezed except where increases in productivity have been larger than the price fall. Incidentally, this might well reduce the effectiveness of reductions in direct taxes on export firms since wage claims could absorb most of the gain. Rather than depend on reinvestment by estates out of resources augmented by reduced taxation, the policy of the Government is to maintain high taxation on export industries. It seems justified not only on the ground that much of the tax savings might be transferred to wage payments but also as a means of reducing the surplus available for repatriation abroad.

Real wage rates have stagnated with the stagnation of minimum wages and the slight upward movement in other prices in the economy as reflected in the official price index. If the official price index understates the extent of price increases, as seems likely, real wage rates have fallen. Of the two main components of total wages in the export industries, minimum wages are determined mainly by reference to externally given prices (and hence to the ability of the industry to pay) and cost of living allowances are determined by domestic prices which are not affected to the same extent by external prices. Apart from its uncertain status in the country, the relative docility of labour in production for export might be explained by the relative self-sufficiency in which much Indian resident labour lives. This, and the high participation rate,[5] also probably explain the high average transfers of savings to India.

While the unit prices of exports have declined rapidly and nominal wages have crept upward, the techniques of producing tea and rubber have undergone a revolutionary change. That both the tea bush and the rubber tree responded to fertilizer was widely known although application of fertilizers was not widely practised. More significant was the development after the Second World War of strains of tea and rubber plants which held out the prospect of enormously increased returns at significantly reduced unit costs.

The neglect and slaughter-tapping during the War and later during the Korean war boom, and the rapidly falling productivity of the trees (and depressed prices), provided a favourable setting for the rubber replanting subsidy which was introduced in 1953. During the first five years of its existence the subsidy was financed by a cess on exports. As prices continued to decline, the cess was withdrawn in 1958. Its place was taken by the rupee counterpart of an annual Rs 15 million in aid from mainland China, to be supplemented by Rs 5 million from the Treasury and used specifically for subsidizing the replanting of rubber. After 1963, the subsidy scheme was financed wholly by the Treasury. During the period 1953-1967, out of a total acreage of 572,000 acres, 251,000 acres of rubber were replanted under this scheme. A further 97,000 acres is estimated to have been replanted with high-yielding strains outside the scheme. Consequently, production per acre has continued to increase yearly, from 382 lb in 1959 to 450 lb in 1964.[6] Yields on much of the acreage replanted during 1953-1957 have been so high[7] as to indicate a potential much greater than recent increases in production have indicated. Costs have declined as inputs have not risen in proportion, the main contributory cause of the increase of productivity being a superior vegetative organism.

In the case of tea cultivation the position was somewhat different. The application of fertilizer could stimulate the tea bush into additional output at the time when export prices remained at a level which made replanting prohibitively expensive in terms of income foregone. The tea replanting and rehabilitation subsidies which were initiated in 1959 gave rise to a disappointing response at the level of subsidies offered. Since then subsidies have been much increased while the fall in export prices has lessened the loss of income through replanting. The tea replanting and rehabilitation subsidies have been completely financed by a very small export cess on tea. The increase in production per acre was from 713 lb in 1959 to a high of 848 lb in 1965.[8] The reduction in cost is as large as one-third.[9]

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[4] During 1950, 1951 and 1955, for example, sizeable wage increases were granted to tea and rubber workers. Although export prices declined thereafter wages remained at the higher levels.

[5] Participation rates of women on plantations are about double that in the economy as a whole—as is the percentage of income receivers.

[6] According to a different and possibly more accurate estimate, production rose from 560 lb per acre in 1965 to 647 lb per acre in 1967.

[7] Around 1,000-1,500 lb per acre with maximum yields on estates ranging up to 2,246 lb per acre. Replies to a questionare issued by the Rubber Commissioner, Ceylon. *Administration Report of the Rubber Commissioner*, 1967.

Subsidies were also granted to rehabilitate smaller areas under tea. Subsidized fertilizer, assistance in soil conservation and the increase of stands per acre being the main avenues of improvement. The targets set for rehabilitation were exceeded within five years (by 1963) and the issue of permits for the subsidy was restricted from then on and completely stopped in 1967 after the introduction of a fertilizer subsidy to provide smaller holdings with fertilizer at half-cost.

Controls over the fragmentation of tea and rubber estates also attempted to ensure that holdings remained of economic size.

The coconut rehabilitation subsidy scheme also provided for the supply of high-yielding varieties and fertilizer at subsidized rates. There has as yet not been any striking technological advance to benefit coconut.

Replanting and rehabilitation in the export industries led to increased production per acre and lower costs per unit of output. Cost reductions appear to have been the main objective. Because of lower export prices, the newer techniques gave Ceylon a further competitive edge. As it is a relatively small supplier of products other than tea and desiccated coconut, the possibility of vastly increased quantities affecting world prices is not great and the ability of the products to compete effectively on the world market has been the chief concern.

In tea, however, the effect of increased output on prices cannot be ignored. The extension of acreage under tea and rubber is controlled by licensing. With the collapse of the low/and medium-grown tea market in recent years, the issue of all new licences for new planting in tea was suspended. In addition, subsidy schemes encouraged the diversion of marginal land into other crops. The rubber into tea subsidy scheme envisages the diversion of 8,000 acres of old rubber into tea; the planting of uneconomic citronella lands with coconut envisages the diversion of 22,000 acres.

While subsidized capital expenditures induced the export industries to cut costs on production through increased productivity, further relief was provided by varying the impact of export duties. To the extent that export duties are direct taxes on the producer, the effect of changes in such taxes was quite significant.

The tea tax was converted to an *ad valorem* basis in 1959. It takes half of the auction price above an exemption limit, with an upper limit to the tax payment and the addition of a specific levy.

Direct intervention by the Government in the tea auctions occurred quite briefly in 1955 when actual purchases were made of specified types of tea. In 1958 and 1966/67 intervention took the form of rebates on the export duty on teas which fetched less than specified minimum prices. These were purely *ad hoc* schemes to deal with temporary and sudden price falls on the market. To the extent that such declines hit only particular sections of the tea trade the intervention by the Government was not particularly large.

In late 1961 a sliding scale of export duties was re-introduced for rubber exports. Since export prices for rubber fell to the floor price, duties were payable in only two weeks of 1967.

Exports of coconut products are also taxed on a sliding scale, differentiated in favour of higher stages of processing.

The export sector, which still accounts for about one-quarter of commodity output, is thus rather shut off from the rest of the economy. Except in the case of coconut, domestic and foreign markets do not compete for its products, and if small-holders can be taken as less highly specialized than estates, it is only in coconut and parts of the rubber industry that one output will be substituted for the other as prices of exports vary. Given the size of the task, Government attempts at stabilizing export incomes have had to be modest.

The isolation of the export sector and the low elasticity of its supply make it a convenient source of government revenue. To the extent that this finances development, the transfer is largely from profits which are somewhat destabilized by rigid wages and impinged on by the relatively advanced stage of labour organization in at least the tea industry. One section of the labour force, in fact, competes with the State for a share of the export income.

As regards the longer run, the technological improvements which were incorporated into the production of tea and rubber through investment in the two industries reversed the adverse trend of relative profitability. Whether the gain for profits (and for state revenue) will last long depends on external forces. Tea and rubber are specific a export industries in competition with producers in other countries. But since technological advance involves replanting and a long gestation period the early innovator has a considerable head-start.

The more determined becomes the growth policy of Ceylon the more carefully will the export industries need to be maintained.

In 1967, export industries accounted for about one-quarter of commodity output in Ceylon. Short-run fluctuations in external demand are almost impossible to brake by a transfer of output to domestic markets and substitutions of domestically demanded products for export crops will take place only on a small scale.

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[8] The potential yield of the new strains is 2,000-3,500 lb per acre, which has been achieved on quite a few estates.

[9] i.e., -/40 — -/50 cts on costs of Rs 1/45-1/58 per lb.

3. *The use of monetary policy*

From 1950 to 1957 movements in external assets were the main factor in the level of and fluctuations in money supply. Except in 1953, the absolute level of external assets remained about, or in excess of, the level of money supply. Government budgetary policy during this period did make for countervailing changes in the domestic assets of the Central Bank—but nowhere near the magnitudes required if the overwhelming influence of changes in external assets on money supply were to be neutralized. Consequently, money supply gyrated widely during this period, consistent with the general orientation of policy during this period to maintain the openness of the economy.

The period from 1958 to 1965 shows a totally different situation. Money supply, fed by large and continued increases in the level of the domestic assets of the Central Bank, climbed inexorably upwards in spite of the continued contractionary effect of the fall in external assets.

In the earlier period (1950-1957), demand deposits as a proportion of money supply rose and fell with external assets. The immediate and direct impact of the fluctuations in the external sector was on the monetized, banking sector of the economy. With the subordination of changes in external assets as the major contributory cause in the fluctuations in money supply, demand deposits demonstrate a falling trend in proportion to money supply in the latter period (1958-1967). Government budgetary operations during this period pre-empted most of the credit created, made for large-scale redistribution of income and attempted to maintain the incomes of the lower income, non-banking groups. This did not lead to a heavy pressure on prices. Currency (which expanded most) was apparently absorbed into holdings and time and savings deposits rose comparatively rapidly.

From 1950 to 1957 there was no marked monetary policy. Demand deposits and external assets moved in concert from expansion to contraction. With no real countervailing action through the government budget, total assets and liabilities moved sluggishly up and down. Occasional minor manipulations of the reserve requirements and the bank rate recognized that "the measures that need to be taken to counteract the instability of income in an economy like that of Ceylon belong mainly to the field of fiscal policy. The role of monetary policy is, for the most part, auxiliary and supplemental, though nevertheless important; its effectiveness in influencing the money supply, and particularly in regulating credit, largely depends on the appropriateness and timing of fiscal measures."[10] Administrative directives to the commercial banks regarding the desirability or otherwise of the level and type of credit seem to have had greater effect than the traditional tools of central bank control.

From 1958, rapidly increasing government borrowings from the Central Bank not only offset the contractionary effect of a decline in external assets on money supply but also raised the liquidity of the banking sector. Demand deposits rose at a much slower rate than currency. Time and savings deposits, however, rose significantly faster than demand deposits. Consequently, total deposits in the commercial banking system, which had risen by only 16 per cent from 1950 to 1957, spurted by 73 per cent from 1958 to 1967.

With continued government borrowings from the Central Bank, the vastly increased base for credit creation in the commercial banks came to be a matter of considerable concern. Since policy had decided that the government sector would pre-empt the bulk of credit creation in the economy, the brakes were suddenly and drastically applied on credit creation by the commercial banks by requiring that special reserves of 38 per cent had to be maintained against increases in demand deposits over the level prevailing on 1 February 1961. With the normal reserve requirement of 12 per cent for demand deposits this meant an effective marginal rate of 50 per cent.[11] Bank liquidity was thus sharply curtailed.

During 1960/61, too, the bank rate was raised to 4 per cent and loans and overdrafts to foreign firms not engaged in the export trade had to be reduced by one-third.

The next significant moves in monetary policy came in 1965. The bank rate was further increased to 5 per cent and credit ceilings were imposed. Administrative directives from the Central Bank also attempted to influence the purpose of commercial bank lending.

The growth of non-export economic activity and the growing contribution of money creation independent of the international trade sector was reflected in the share of deposits by plantations, which dropped sharply from about 22 per cent in 1958 to 8 per cent in 1967.

The traditional avenue for commercial bank lending had been export/import trade. Even as late as in 1959 almost two-thirds of all bank advances were for such trade. With the tightening of the ability of the commercial banks to lend and with the credit ceilings and cash margins which were imposed on advances for specified imports as from 1961, the proportion of bank advances for export/import trade dwindled to less than 40 per cent in 1967. This fall was most striking in the case of advances for the import trade—an increasing proportion of goods was being imported by the government and/or was being financed by assistance flows. Bank advances for non-export agriculture and industry, which had remained at less than 5 per cent till 1962, rose above 15 per cent in 1967. The foreign banks continued to provide the bulk of the advances for international trade while the state-owned commercial banks seemed to be moving towards greater lending for other productive purposes. Under the new agricultural credit scheme of 1967 commercial banks will make cultivation loans to farmers through the co-operative societies. The Central Bank will refinance and guarantee repayment of 75 per cent of the loans. By the end of 1967 the People's Bank (till then the only bank to have provided advances for this purpose) had authorized, under this scheme, almost five times as much as had been provided by all commercial banks for non-export agriculture in the preceding year.

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[10] Central Bank of Ceylon, *Annual Report*, 1956.

[11] No special exemptions were granted—whether to the finance of exports or otherwise. Moral suasion by the Central Bank attempted (with considerable success) to keep funds flowing to the export trading sector and other productive sectors.

The credit creating potential of the commercial banks is extremely low at the margin because of the very high (50 per cent) reserve requirement. Also, the state-owned commercial banks not only command the bulk of bank resources but are also the growing segment in commercial banking because of their continued expansion throughout the country. Allocation of available credit seems to be recognized as a major problem in the future. With the constraints imposed as a measure of stabilization on government from the banking system the fluctuations in the external sector may again become a considerable factor in bank liquidity. It remains to be seen to what extent the increasing incomes arising in the growing non-export sectors will be channelled through the banking sector. To the extent that they are, the disturbing influences emanating from the external sector would be moderated.

If government borrowings from the Central Bank continue to be restrained, a more flexible use of the reserve requirement might be called for to maintain commercial bank lending for investment activity. With the move to establish a unified system of state sponsored organizations for long-term lending, it might even be appropriate to investigate the possibility of pre-empting given volumes of bank credit and channelling them through the long-term credit institution. The impact of externally induced disturbances could then be confined to advances for personal or consumption purposes. This might, indeed, be an easier and more reliable method of control than to attempt to fix ceilings for the various purposes of lending.

The initial size of the banking sector is an outcome of export dependence. This size and the importance of banking for foreign trade, however, offer no strong grounds for believing that monetary policy can be much relied on in stabilizing the economy in its new process of growth without restraining that growth unnecessarily. Whatever use is made of monetary policy, it seems essential to develop a form of credit plan in conjunction with the budgets for investment and foreign exchange.

4. *The evolution of fiscal policy*

Concurrently with the decline of the high export dependence of the economy, the role of the public sector in the economy has increased.[12] Between 1959/1960 and 1965/1966, gross domestic fixed capital formation by the public sector[12] rose from 39 per cent to 52 per cent of the stagnant total. Governmental expenditures as a whole rose from 19.5 per cent to 21.4 per cent of total gross domestic expenditures.

The role played by the public sector in the economy of Ceylon has changed perceptibly since 1956. In the years prior to 1956 the guiding principle of economic policy seems to have been that "...our budgetary policy is very closely influenced by the position in respect of external assets. The latter is intimately affected by our financial measures and we have always to try to adopt our policies so as to keep external assets at a desirable level."[13] Both fiscal and monetary policies were harnessed towards achieving this end—with fiscal policies being the main policy weapons.

The objective being a vaguely defined 'desirable' level of foreign assets, there was no room for stabilizing the economy in terms of employment, prices and output. Fiscal policy completely subordinated the domestic economy to impulses from the external trade sector.

Except for a sharp decline to Rs 640 million in the post-Korean War depression year of 1953, external assets had always been maintained at comfortable levels. By the end of 1956 they were at an all-time high of Rs 1,276 million—equal to about 9.7 months of imports. The goal of economic policy was clearly achieved. Cyclical fluctuations in external payments were comfortably absorbed by movements in foreign assets while fiscal and monetary policies maintained a watch to ensure that the level of foreign assets did not unduly fall. Whenever it threatened to fall unduly, economic policy moved vigorously towards deflation.[14] The direct impact of external fluctuations in incomes had to be accepted.

The tone of economic policy changed in the decade after 1956. It became the aim of both fiscal and monetary policy "to modify the effect of income and revenue fluctuations so as to enable both the Government and the citizens at large to sustain a high and stable level of savings and investment. The size of the budget, the budget decision and the nature of the budgetary outlays all contribute towards this policy... Buoyant domestic incomes... lead to a rising demand for imports. For this reason, the policy of making financial conditions within the country less stringent through budgetary and monetary policies has limitations if we are to watch our imports and safeguard the current positon of our external assets. Generally speaking we shall, on the one hand, ease the domestic financial situation if we expect a decline in our export returns, and, on the other hand, adopt a policy of accumulating cash balances and external assets when export earnings are booming."[15] Further, in 1957, after a 17 per cent drop in total reserves: "Imports were sustained ... The budgetary policy of the Government has helped to sustain incomes over a relatively bad trading period ... The adverse trade conditions during this financial year ... would have led to a considerable contraction in the money supply. However, the intention of the Government was to prevent the full impact of this and to sustain incomes. The Government's financial operations, particularly the running down of Government cash balances by Rs 89 million, prevented such a decline in money supply."[16]

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[12] Public corporations, public enterprises and the Government.

[13] Budget speech, Minister of Finance, 1954/55.

[14] In 1953, for example, an attempt was made to arrest the sudden fall in foreign assets by, among other deflationary measures, the complete removal of the subsidy on rationed rice, on the grounds that this would lower the demand for imports and ease the pressure on the budget.

A necessary condition for the success of the new policy was the availability of sufficient foreign assets. Another necessary condition for the success of such policies was the stability of net external receipts over the average of successive years, but this disappeared after 1956.

With continued deficits in external payments, external assets were drawn on heavily. Exports recovered from the slump of 1956 and 1957 but remained far below the levels to which imports had been raised by measures of stabilization and income redistribution unaccompanied by sufficiently quick-yielding projects of net import substitution. By 1960, with no intervening years of surplus, external assets had fallen to Rs 541 million.

Economic policy had therefore to be shaped under the impact of the external reserve position. While the attempts to maintain domestic economic activity by government budgetary policy were continued, consumer imports were progressively constricted. The room for manoeuvre was, however, not too large. In the first flush of the import restrictions, import levels did indeed decline. But the large volume of food imports that was considered essential and the imports of capital and intermediate goods for domestic manufacture which followed on import restrictions brought the level of imports in 1964 back to the levels of 1959 and 1960. Concurrently, no improvement was recorded in exports. Foreign assets were drawn down further but to this there was a limit. By 1964 external assets were barely more than one-quarter of the level in 1956 and hardly sufficient for eight weeks' imports.

The major sources of revenue were closely linked to export performance, levels of government expenditure increasingly less so. When export duties were based on a sliding scale, revenues from exports continued to fall in spite of increasing volumes. Revenue from import duties was ultimately limited by the capacity to import. Income and other direct taxes remained responsive to changes in exports.

The contribution of export duties to current revenue was 26 per cent between 1955/56-1957/58; by 1964/65 to 1966/67, it had fallen to only 12 per cent. Also, in spite of steadily stiffening direct tax measures, revenue from personal and corporate taxes tapered off during this period and their percentage contribution to current revenues fell.

The growth in the contribution of import duties and sales or turnover taxes has been rapid. The increase in the contribution of import duties is remarkable as the list of imports has been progressively narrowed since 1960/1961 to 'essential' foods, intermediate goods and investment goods and import levels have remained relatively stagnant. The growth of turnover and sales taxes reflects attempts to broaden the tax base through greater indirect taxation. The case for indirect taxes and for a progressive structure of commodity taxes has been stated in the Ranasinha Report of 1967.[17]

While the economy continues to be export-dependent, the downward trend in export prices and the steadily increasing need for revenue have eroded the relative contribution made directly by the export sector. The declining trend of export duties is linked to the fall in unit prices for exports and the constant or declining margins of producers which inhibited increases in rates. Probably the same factors and the tax-free privileges granted to the import-substituting sector are responsible for the stagnation of direct tax collections.

Current expenditures have grown at a much faster rate than current revenues, but their composition has remained remarkably steady. The only major change is in the expenditure on the food subsidies and arises from the policy of insulating the consumer against fluctuations in the import prices of essential foodstuffs, especially of rice. Through the policy of rationing essential foodstuffs and distributing them at subsidized prices, a further de-stabilizing influence emanating from imports is absorbed within the government budget. Given the constraint on increased revenue from the export sector, wide shifts in the prices of imported essential commodities can often be accommodated within the government expenditure only at the cost of increased financing from banking sources. Current expenditures on social services and economic services have grown steadily—expenditures on the former rising particularly rapidly, largely because of the growth of population. The marked fluctuations in current expenditures on food subsidies have been induced partly by changes in the ration or in its price but mainly by harvest failures and especially, import price fluctuations.

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[15] Budget speech, Minister of Finance, 1957/58.
[16] *Ibid.*, 1958/59.

[17] *Report of the Taxation Inquiry Commission*, April 1968 Sessional Paper No. X, 1968. Especially paras. 407 ff.

The effect of export dependence and falling revenues from the export sector is reflected in both the rate of growth and the composition of current revenues and thus in the financing of capital expenditures. The current account surplus, which covered 70 per cent of capital expenditures between 1955/56 and 1957/58, contributed less than 8 per cent in more recent years. The contribution of domestic bank borrowings also declined. By far the most significant changes are the large increases in foreign resource inflows and in non-bank borrowings. To the extent that the export sector is the largest component of the monetized, banking sector, it seems plausible that the commercial banking sector itself must necessarily draw the bulk of its resources from the export sector. With the export sector stagnating, borrowings from the commercial banks cannot keep pace with the needs of the government budget—nor even with the growth of national product. Except in a very few years, net borrowings from the commercial banking system are insignificant compared to borrowings from the Central Bank.[18]

The most striking change in the pattern of financing the government budget deficit is the contribution of the non-banking sources which covered almost 55 per cent of the deficit in the latter period. The bulk of these contributions are channelled through the Employees' Provident Fund and the State-owned insurance monopoly. These are ready-made institutional devices for tapping small-scale private savings for governmental uses, and for tapping the non-export sector. As production for domestic use is growing, it seems advisable to extend the coverage of the EPF as soon as possible into the non-export sectors as well.

The most telling effect of the uncertainties of export dependence is seen in the continuous disparity between the estimates of expected revenue and the final outcome. The most unsettling differences between estimates and actual outcomes are in the revenue from import duties and export duties. Revenues from personal and corporate taxes have been under-estimated in recent years, especially since 1963/64, when taxable incomes in the non-export sector have been growing quite fast and have upset the assumed link between the yield of direct taxation and the export sector. This seems plausible since the import-substituting industrial sector started developing in the early 1960s. A further explanation for this difference may be that while export duty collections decline rather rapidly in periods of price declines because of the workings of the *ad valorem* duties, corporate incomes and tax collections from export companies do not decline as rapidly.[19] Export tax rates are linked to prices, direct taxes to costs and productivity as well.

The budgetary process in Ceylon has also led to gross over-estimation of foreign assistance receipts. As a result, the brunt of meeting the shortfall in revenue has had to be taken by last resort financing from the banking system, and by changes in cash balances and commodity aid counterpart funds.

Current expenditures have shown very little divergence from the original estimates, the outstanding exception being expenditures on food subsidies. The share of totally fixed financial obligations such as pension payments and interest due on the public debt have risen very fast. Given the borrowing policy of the Government it is hardly surprising that the interest payments on the public debt have more than doubled in six years from 1960/61. A continuation of such trends would, of course, increase the rigidity in current expenditures while a policy of financial restraint would come to mean adjustments in capital expenditures.

Capital expenditures have shown considerable variation from estimated expenditures. This appears to be more a case of inability to spend rather than a consciously contrived expedient to meet revenue shortfalls. There might be reason to investigate whether the continued under-expenditure manifested in capital expenditures on the economy services is not at least partly attributable to the lack of 'supporting' current expenditures which have tended to remain constant.

Since the initiation of a programme of stabilization in 1966/67, the Government has to ensure that borrowings from the banking system are kept down to a minimum. Increased flows of foreign assistance have helped but if 'compensatory' borrowing from the banking system is precluded in times of revenue shortfalls, the room for compensatory action in the items of expenditure seems to be narrowly limited to manoeuvre in food subsidies, which may not lend themselves to short-term changes, and/or in capital expenditures.

The way out may perhaps be found in adopting, and adhering to, a budgetary strategy which reflects the high priority of development expenditure. The protection of this expenditure may be partly assured by foreign assistance, including compensatory financing by the International Monetary Fund (IMF). For the rest, the burden of adjustment needs to be spread over non-development items. Downward stability of real incomes may not be compatible with that degree of stability in development expenditure which long-term growth demands.

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[18] During the period 1955/56-1966/67, net borrowings from the commercial banks amounted to only Rs 50.2 million while net borrowings from the Central Bank amounted to Rs 1,552.7 million.

[19] For example, the *ad valorem* duties on tea, rubber and coconut product exports fall rapidly to zero at fixed floor prices. However, even at these levels corporate profits in the export sector are not necessarily zero.

5. *Adaptation of policy to development opportunities*

The imposition of ever more stringent import controls from 1960/61 onwards ended the system of an open economy. Development policy turned sharply towards the encouragement of import-substituting activities.[20] With the acute supply difficulties consequent on the restriction of imports, import substitution in commodities with low priority in import policy became the most profitable. The lack of congruence between import priorities and industrial development priorities and the operation of a fixed and unitary exchange rate resulted in an unplanned proliferation in industry. This was import-intensive and by 1964, imports were not far below the all-time high of 1960. Exports remained stagnant and the difficulties in external payment continued.

In 1965 economic policy turned towards eliminating the excess aggregate demand as a prelude to the easing of administrative controls and intensified development activity. The policy of stabilization regarded the expansionary financing of the government budget mainly for increases in consumption as the major cause of the gap between aggregate supply and demand. The rigid administrative controls were believed to have distorted the price structure and, through it, the pattern of development. Stricter control over the volume and purpose of bank lending and the avoidance of expansionary financing of the government budget formed the crux of the strategy. Deflation was avoided by an increase in foreign assistance of a type which made it possible to ease the supply constraints in the short run by utilizing the existing capacity in industry. Inputs into agriculture, industrial raw materials, essential spares and transport equipment formed the bulk of the assistance requested. Wheat flour amounting to one-quarter of aid imports formed the main import for consumption.

A temporary shortage of rice on the world market in late 1966 permitted a change in the consumer subsidy on rice, which had become a heavy charge on revenues. The ration was halved and distributed free. The guaranteed price for domestic paddy was increased by about 17 per cent in late 1967 while the market price of rice rose because of the halving of the ration.[21]

After 1960/61 most finished consumer goods were eliminated from the import bill except for essential foods, which made up almost one-third of imports. Developments in this field for growth and import saving now occupy a central position in any development strategy for Ceylon. With the prospect of stagnant exports and aid receipts the transition from stabilization to development is faced with a long delay if import substitution cannot be achieved on a significant scale in the short run.

High-yielding seeds (developed by national research institutes) and more productive methods of agricultural cultivation were well known but not widely adopted by cultivators. The increase in the price of rice coincided with a programme of agricultural self-sufficiency which proceeded by streamlining the distributive network for inputs and by overhauling the machinery of agricultural administration and extension.

Self-sufficiency in rice is the main object of the policy, the hope being for large additions to output and income at very low cost in foreign resources. Since about 40 per cent of rice consumed was imported —around 400,000 tons—the potential for increases was large. Earlier expectations were exceeded in both 1967 and 1968 when the rate of growth of paddy production rose above 15 per cent. It is now anticipated that total self-sufficiency will be attained by 1973/74. The cost in terms of real resources (or alternative outputs) is not specified. It must be hoped that it will be kept under continuous examination.

The provision of extra resources for the non-export agricultural sector could be achieved without any discernible contraction of resources to the other productive sectors. This has been made possible by the availability of foreign assistance in suitable form. In the present context of Ceylon's needs and potentialities, the pattern of resource use which has emerged seems eminently reasonable.

During late 1967 and early 1968 far-reaching reforms of the foreign exchange rates were undertaken. The devaluation of the rupee by 20 per cent in late 1967 was followed by a dual exchange rate scheme which sought to bring a greater degree of liberalization to import procedures.

An exchange rate bonus of about 44 per cent was given to exporters of non-traditional commodities and services. The traditional exports were not entitled to the bonus rate and had to bear additional export duties after devaluation to siphon off the increase in rupee proceeds.

On the side of imports, essential consumer goods were imported by the Government at the official rate. At the bonus rate of exchange, a wide range of industrial raw materials and other production materials were placed on open general licence and liberal quotas were assigned to licensable imports. It is not wholly clear why the scheme stopped short of introducing a flexible rate for the non-traditional exports. Without more detailed planning and supporting controls than Ceylon is now in a position to institute, the calculations of the private sector will largely determine the size, pattern and import intensity of new investment. A flexible exchange rate—it need not fluctuate freely—would ensure greater and more continuous rationality in these decisions than will the present commitment to two fixed rates. That fixed exchange rates are no bulwark against inflation and price distortions must be clear from the history of the economy of more than one Asian country.

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[20] See, for example, the strategy of development as outlined in the *Ten Year Plan*, National Planning Council, 1959.

[21] Imports of rice are a monopoly of the Government and only such quantities as were necessary to bridge the gap between the Government's obligations under the ration and local purchases at the guaranteed price were permitted.

Development policy for the near future provides for a continued drive towards agricultural self-sufficiency; the better utilization of existing capacity; the building of fresh industrial capacity in priority areas; and the gradual freeing of the economy from the distortions induced by earlier economic policies. On closer inspection, and with an easier foreign exchange position, these distortions may not appear terrible after all. In so far as they arose from the lack of a systematic development policy, i.e. a modicum of planning on the basis of basic information now being assembled and a great deal of administrative care, the lessons are clear. Whether protection is given by tariffs, quotas, tax concessions or "realistic" exchange rates, it cannot be rationally given or used without a well informed plan of action.

Nagging questions, however, yet remain as to the longer-term strategy of development. With the increased output for domestic use and the expected stagnation of exports, the stage is being set for a reduction in the average export dependence of the economy. At the margin, export dependence is not likely to be less of a problem.

It is not yet clear whether surpluses are exported from the newly expanding agricultural sector. This might be a forlorn hope in the light of developments in other deficit countries and the competitiveness of Ceylon's outputs at the present rate of exchange.

At present, the bulk of domestic output has been attracted onto the market by the attractive prices. If production of agricultural commodities for domestic use increases at the anticipated rate, producers will have to rely-increasingly on the guaranteed price. In rice, for example, this would probably be welcomed until local purchases are sufficient to fulfil the ration, but not necessarily beyond.

The solution may lie in moving towards a minimum price for agricultural products which could be varied flexibly. With the adoption of superior methods of production total net income for the producer is likely to increase even if unit prices were to fall. Incentives would, thus, not be withdrawn. However, failing an early resolution of the lines of agricultural price policy over the longer term the problem could well become increasingly intractable.

The drive for agricultural self-sufficiency should not, therefore, ignore the need for planning beyond that stage. Almost unavoidably, planned expectations are that the traditional export commodities of Ceylon will continue to provide the bulk of the foreign exchange earnings in the future. Competitiveness, it is assumed, will be made possible by the considerable increases in productivity. Little change, consequently, appears likely in the dependence of exports on a very narrow and vulnerable list of exports. Conscious attempts at export diversification might now be in order.

With increased production for domestic use, the problem of resource mobilization is likely to need attention. Agricultural incomes are notoriously resistant to direct taxation while past attempts at the levy of land and water taxes on any but large or commercial holdings have been conspicuous by their failure.

On the assumption that exports and imports grow slower than national product, increases in taxes on them will have to come mainly from increased rates.[22] To the extent that imports are likely to consist increasingly of capital and intermediate goods, the scope for increased taxation might be limited.

The contribution of export taxes is likely to decline further if unit prices continue to fall. Export duties will either have to be formulated with reference to factors other than purely export unit prices or discriminatory direct taxation may be called for; this is presumably only possible by discriminating between different uses of land.

If the recommendations of the Taxation Inquiry Commission[23] are accepted, the trend towards greater reliance on indirect taxation will become stronger. The recommendations argue for commodity taxes and business turnover taxes as taxes on consumption and as additional sources of revenue.

Under the new foreign exchange system, increases in the value of exports of traditional commodities or of foreign assistance routed through the Government to the private sector[24] would automatically channel resources to the public sector. This bids fair to be the source of public revenues with a great potential for increase.[25] As net government uses of foreign exchange decline, e.g. through a reduction in governmental food imports at the official rate, sales at the bonus rate will generate greater resources. The ease of collection might bring in a bias against any further changes in the foreign exchange system. It might be regrettable if the contribution of the 'monopoly' profits on foreign exchange were to vitiate other attempts at resource mobilization.

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[22] Or by the extension of coverage. The scope for this is very low, unless import liberalization were to permit a greater volume of consumer goods in the future. New export commodities are subsidized rather than taxed.

[23] *Report of the Taxation Inquiry Commission*, Sessional Paper No. X, 1968.

[24] It might be worth noting that true cost of foreign exchange used by the Government at the margin is that of the 'opportunity cost' of such resources—effectively the value which the private sector would have to pay for foreign exchange (the Foreign Exchange Entitlement Certificate rate).

[25] Foreign exchange is bought (compulsorily) from the exporters of the traditional commodities at the official rate of exchange and re-sold to the private sector at the bonus FEEC rate.

(b) Malaysia[26]

1. *Policy response to export dependency*[27]

As recently as in 1962, an outstanding authority on the political economy of Malaya could state that the nation had neither monetary nor commercial policy to counter the fluctuations of export prices and that its fiscal policy was virtually limited to intended budget surpluses in times of high rubber prices and the willingness to draw down external reserves to offset marked declines in export earnings.[28]

Even as this judgement was being made, a policy shift was in progress in Malaya which embraced both monetary and fiscal policy, commercial policy and a broad spectrum of considerations relevant to development planning. The transition from a state of relatively passive response to externally engendered economic fluctuations to one which involves active countermeasures and preparations for structural change is still in process. The crucial shift took place between the advent of independence in 1957 and the initiation of the second development plan in 1961. The depression of 1958 gave impetus to the change in outlook.

It appears that the new leadership recognized the need for fairly thorough-going change in at least some economic institutions, to weaken the constraints on a policy of domestic price and income stabilization. In addition to the creation of institutions designed to carry out specific government policies, the monetary and banking system was in particularly obvious need of reform to permit national control. Secondly, there was a growing recognition that, in the longer-term perspective, structural change was required to lessen the degree of dependency upon traditional exports and upon exports generally.

Partial self-government from 1955 had given rise to the first Malayan Development Plan for the years 1956-1960. Although larger in scale than the colonial Government's programme for 1950-1955, the new plan scarcely represented a major innovation in policy. With the decline in Malayan exports proceeds which came in the train of the European and North American recession of 1957/58, the new Government found it advisable to scale down the already modest proportions of the plan. Budgetary restraint appropriate to an export-dependent economy appeared to require a passive response to the decline. Nevertheless, the first steps were being taken to broaden the area of choice in monetary policy, though the institutional gestation period has been rather prolonged. The Central Bank of Malaya operated from the beginning of 1959. It was faced with the time-consuming task of creating the conditions necessary to the operation of monetary controls. Given the continued existence and operation of the sterling-exchange currency system under the Board of Commissioners of Currency of Malaya and British Borneo, the Bank lacked the authority to issue currency until mid-1967. It was necessary to encourage the development of the domestically rooted banking system and, gradually, a money market based upon domestic rather than foreign assets. Largely by non-coercive means, the Bank has brought about a shift from external to domestic financing of trade and production and has developed a reserve position which gradually has made possible increasingly effective controls over the supply of credit.

The process of Malayanization of the civil service has had its costs in terms of effectiveness in the administration. In the 1960s political changes have engaged the energies of the Government and the bureaucracy and may have moderated the process of change in development policy. With the formation of Malaysia came also Indonesian confrontation; the impact of hostilities was doubtless economically negative on balance, though except for the entrepot port of Penang, West Malaysia suffered little compared to Singapore and East Malaysia, where the major hostilities took place. There were some compensations: British armed forces expenditures rose markedly and there are indications that the disruption within the Indonesian economy may have contributed to the maintenance of rubber prices and perhaps those of other Indonesian products which compete in world markets with products of the Malaysian states. Finally, the absorption of the former Borneo territories into the Federation undoubtedly increased the administrative burdens of the Malayan civil service and added to the burden of development, particularly after the departure of Singapore from the new Malaysian union. Granted that the aggregate gain in export earnings from East Malaysia has been considerable, particularly in petroleum and timber, it is doubtful nevertheless whether total government revenues have risen in the same proportion as the costs of the development programme, given the less advanced economies of the Borneo territories.

Thus, although it is meaningful to trace a shift in policy from around 1959-1961, the process of change is still under way. Both in its quantitative and in its qualitative aspects, there is still scope for further change and modification in the direction now entered upon. The prospect of escape from export dependency is scarcely likely in the foreseeable future.

Policy relating to prices and production

Direct measures aimed at improving returns from exporting were among the first to be used in the period following the Second World War. Market and production conditions dictated a different policy towards tin and rubber. Rubber restriction schemes in the 1930s had left Malayan rubber with over-age trees: the smallholder sector was especially vulnerable. The Mudie Commission (1954) feared that "if... nothing is done to secure an adequate rate of replanting over the industry as a whole, the end of the rubber industry in Malaya ... is inevitable within the next fifteen or twenty years."[29] Following the Korean war boom, replanting by both estates and smallholders was supported by a government subsidy, based upon the imposition of an export cess on rubber, and the measure was maintained throughout the postwar period. For tin, in which the concentration of world output permitted collusion among producer-countries, output restriction under the aegis of the International Tin Agreement during 1957-1960 reduced Malaya's exports by 40 per cent between 1957 and 1959, as part of the international strategy to maintain prices. Under the Tin Agreement of 1966, quota restrictions were again imposed from September 1968.

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[26] Most of the data and analysis presented in this section refer to West Malaysia. The secretariat, to its regret, was not in a position to extend this study to the entire territory of Malaysia.

[27] The Federation of Malaya achieved political independence in 1957; in 1963 this nation merged with Singapore, Sabah and Sarawak (formerly British Borneo), to form Malaysia; in 1965, Singapore was again separated from the union to become an independent state. Most of the discussion relates to the Federation of Malaya, now West Malaysia, since statistical materials for the greater part of the postwar period refer to that entity. For the more recent period, reference is perforce increasingly to Malaysia. Singapore is omitted from the discussion throughout.

[28] T.H. Silcock in Silcock and Fisk (editors), *The Political Economy of Independent Malaya*, Canberra, 1963.

Apart from tariff protection which has begun to assume significance in recent years, other measures aimed directly at production or prices have been few. Since independence, the Government has supported smallholders in many export crops.[30] The Federal Land Development Authority schemes have extended planted acreages and improved quality in rubber and palm oil; the Second Malaya Plan allocated funds for the rehabilitation of smallholder coconut. To the extent that such measures are combined with improvements in over-all productivity of the export sector, within the limits imposed by technology and market conditions, they have contributed to the maintenance of export earnings. Only when they encourage the production of new export crops, however, do they begin to meet the more fundamental problems of export dependency.

In respect of the related dependence upon food imports, support for domestic rice producers has been given since 1950. The result has been an increase in yields, in double-cropped acreage—dependent upon extension of irrigation facilities—and an improvement in the share of domestic production in total consumption, from 55 per cent in 1957 to nearly 75 per cent in 1967. Little of this is new, nor does it represent a change in basic policy. The scope and magnitude of the effort has increased markedly. This is reflected in the greater absolute expenditure and, in the first Malaysia plan, in the increased share to agriculture.

The sharp and unexpected drop in rubber prices in September 1967 triggered an innovation in government support measures. The Government intervened in the market as a buyer to support the price of rubber, on the apparently correct assumption that the decline was a temporary phenomenon occasioned by transitory factors, in particular, price cutting by synthetic rubber producers in the West as a result of overproduction. No figures have been released to indicate the maginitude of the government intervention. In the event, prices recovered tolerably and the government holdings were gradually liquidated at a profit. Although the rubber price slipped to a twenty-year low in February 1968, recovery has been sustained and further intervention has not been deemed necessary. For the long term, government policy rests upon the assumption of continued improvements in yield and quality, especiallly of the newly developed crumb rubber, and continued support is being given to the expansion of rubber acreage and replanting with high-yield materials.[31] Since natural rubber now "enters the market with no significant technical advantages over alternative synthetic materials and must compete almost wholly on the basis of costs for a still large, but contracting, technical market,"[32] the continued profitability of Malayan rubber will depend precisely on improved technical quality and reduced production costs. The former depends on continued research and increased production of Standard Malaysian Rubber (SMR), which in 1968 amounted to only an estimated 8 per cent of total rubber production in all Malaysia. Apart from the improvement in quality through better processing, profitability and competitiveness depend upon increased yields per acre. Smallholder production accounted for 42 per cent of West Malaysian rubber output in 1967 but less than three-fifths of smallholder acreage was planted with high-yield materials as against 86 per cent for the estates. Average estate yields had risen to 921 lb/acre in 1967; at the end of 1966 average smallholder yields were 571 lb/acre.[33] Unofficial cost estimates suggest that ex-estate costs per pound may be reduced to M$0.25 with 100 per cent high-yielding material and a yield of 2,000 lb/acre. In 1966, the highest average yields reached almost 1,300 lb/acre; the acreage with this level of productivity amounted to only 23 per cent of total high-yield acreage and 17 per cent of all estate acreage tapped.[34]

2. *Costs, investment and incomes in rubber production*

Consideration of government policy towards exports and the export sector requires a review of the behaviour of major parts of that sector.

Rubber production and export volume have expanded continuously since the decline following the Korean war boom of the early 1950s. As the price of rubber has shown an irregular but persistent downward trend, it is clear that the output response has not been primarily to price change. This is particularly true of estate rubber;[35] variation in the intensity of tapping has typically been greater among smallholders and is reflected even in the aggregate output data. Rather, the growth in physical output has been the result of the policy of the Government and the estate owners. Output growth has been accomplished by bringing into tap increasing acreage planted with high-yielding clones; the effect of increased total acreage in smallholdings has been negligible. While mature estate acreage declined by more than one-fifth between 1953 and 1966, smallholdings expanded by about 5 per cent; total mature acreage was reduced by nearly 10 per cent. Average yields per mature acre were increased by 75 per cent on the estates between 1953-1956 and 1963-1966 but by little more than one-fourth on smallholdings. Yield per mature acre on smallholdings fell from about four-fifths of that on estates to less than three-fifths during the same period. The key element in this has been the greater proportion of high yielding material on the estates; fertilization and hormone stimulation also have contributed to increase yields, again, chiefly on the estates.

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[29] *Report of the Mission of Enquiry into the Rubber Industry of Malaya*, Kuala Lumpur, 1954, par. 26.

[30] The wide spectrum of support activities ranges from extension work and agro-technical research through improved processing, credit and marketing facilities.

[31] Deputy Prime Minister, Speech to the Legislature on the 1969 Development Estimates and the Mid-Plan Review, 3 February 1969.

[32] T.R. McHale, "Changing Technology and Shifts in the Supply and Demand for Rubber", *Malayan Economic Review*, IX:2, October 1964, p. 40.

[33] Malaysia, *Mid-Term Review of the First Malaysia Plan, 1966-1970*, Kuala Lumpur, 1969, pp. 48 and 49.

[34] *Rubber Statistics Handbook*, 1966.

Investment in the form of new planting and replanting, mainly with high-yielding clones, has been carried on at varying rates. In the early 1950s annual replanting by estates amounted to around 3 per cent of total planted acreage. This proportion rose to 5 per cent by 1960 and has since gradually returned to the earlier rate. Prior to the initiation of government schemes to encourage replanting, smallholders replanted less than one per cent of their stands annually. The proportion of new and replanting to total planted acreage on smallholdings, however, had risen to about 3 per cent by the mid-1950s and continued to rise through 1963, when the proportion exceeded 8 per cent. During the 1960s replanting rates for smallholdings averaged about 3 per cent of existing stands; the peak in new planting was reached in 1963. New planting of estate rubber has not been significant. In terms of value, investment in rubber planting has contributed between M$100 million and M$200 million annually to gross domestic fixed capital formation since 1955. Capital formation in rubber planting rose to approximately one-fifth of total fixed capital formation during the period 1956-1961, though the share had fallen to one-tenth by 1966.

Costs: Fragmentary evidence limited to the estate sector makes it difficult to present more than a sketch of major elements in the structure and behaviour of costs in rubber planting. For the period 1947-1958 it seems that estate profits were positively correlated with rubber prices; that unit profits and unit costs were inversely correlated; that wage costs varied with price (owing to sliding-scale wage setting) and, because of this, total unit costs also varied with price.[36] Comparable data from the 1960s indicate that these relationships held true in a period of falling prices (1961-1963).[37] Although no recent breakdown of production costs is available, labour cost remains the largest single element in the cost of production on estates and probably amounts to about one-half of the total. Wage costs per unit of output show a secular decline, interrupted by sharp peaks which correspond to the peak prices of rubber in 1951, 1955 and 1960 (but not in 1965). This index has fallen more slowly in the post-1960 period than in earlier periods of falling prices. Wage costs per unit output have fallen as rubber prices declined, in part as a result of the use of sliding scales based on the range of rubber prices in the preceding calendar quarter. The important fact remains that wage costs per unit have fallen because of the great increase in yield due to improved planting material.

Incomes from rubber: Despite considerable variation in wage rates based on sliding scales related to the price of rubber, wage earnings on rubber estates have risen modestly over the last decade or more. Wages in rubber planting have been determined by collective bargaining since the early 1950s. The planters' association has insisted on the need for flexibility in wage setting in view of the variability in the price of rubber while the union persists in its desire to stabilize labour incomes; it appears that some measure of stability has been achieved in recent years. To some extent this merely reflects the somewhat narrower fluctuations in rubber prices in the years following 1960. In part also, greater stability of wage incomes for those remaining in work may have been purchased by a lower level of employment in the estate sector.

The continuous increase in the quantity of rubber produced and the generally high rates of replanting have until recently ensured a stabe level of employment on the rubber estates. Total employment on the estates fluctuated by less than one per cent per year between 1950 and 1963, with sharp declines only in 1954 and 1957. The great increase in yields has apparently not been associated with major labour saving innovations; planted acreage has declined. According to official statistics, between 1963 and 1966 rubber estate employment declined by nearly 13 per cent. This may be the result of several causes: a reduction in acreage tapped (which in any case has been gradual and continuous for the past fifteen years); a reduced rate of replanting; and a response to the apparently increasing downward stickiness of the wage bill. In broader perspective, however, a substitution of capital for labour is taking place as a result of the secular decline in the price of rubber. In the form of replanting with high-yielding materials, increased fertilizer use and hormone stimulation, all provided by continuous research, technically superior capital has been replacing land and now, in recent years, labour, in the factor mix selected to reduce unit costs of production.

The decline in rubber-estate employment does not necessarily mean that labour has been shifted out of the export sector, nor indeed out of rubber. Subdivision of rubber estates, encouraged by falling rubber prices and the desire to reduce costs, has meant that a not inconsiderable part of the accretion to smallholder acreage has come from estate lands.[38] The evidence that subdivision permits reduction in costs, labour costs in particular, has been challenged on several occasions. Nevertheless it seems clear that some cost reduction is frequently involved: fringe benefits in amenities are reduced; in some cases union rates may be undercut, and requirements such as the payment of provident fund contributions may be evaded.[39] An additional reason for subdivision, possibly more important than cost reduction, is the greater subsidy paid to smallholders for replanting.[40] Nor has all the decline in rubber estate acreage been the result of subdivision; particularly since 1960, significant acreage has been replanted to other crops, most importantly, oil palm.

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[35] See Francis Chan Kwong Wah, "A Preliminary Study of the Supply Response of Malayan Rubber Estates between 1948 and 1959", *Malayan Economic Review*, VII:2, October 1962.

[36] Ronald Ma, "Company Profits and Prices in the Rubber Industry in Malaya, 1947-1958", *Malayan Economic Review*, IV:2, October 1959.

[37] *Fraser's Facts and Figures*, (Singapore) 41st (1963) and 42nd (1965) editions, dollar rubber companies.

Property incomes from rubber planting have fluctuated with the price of rubber.[41] As property incomes from rubber show year-to-year fluctuations greater than those in rubber prices or export values, the inference may be that fluctuations in wage earnings have been relatively less. Although the coverage of each of these measures differs, the impression abides that the downward stickiness for wages has exerted increasing pressure on profits during the 1960s.

Lack of comparable bases for the various measures makes impossible a quantitative assessment of the disposal of rubber property incomes. Because of the government tax-based subsidy to support replanting, a fairly considerable part of gross income must have gone back into investment in the industry. There is, however, little indication from the time-pattern of this investment that it is closely related to rubber prices or profits. Rather, the government subsidy (based on funds accumulated from the replanting cess on exports) permitted a continuous increase in replanting outlays from about 1954 through 1963; since the latter date capital formation in rubber acreage has tapered off. In addition to the replanting grants from the Government, for purposes of company taxation on plantation incomes a 50 per cent per annum write-off of replanting expenditures is allowed.[42]

Given the large measure of foreign ownership of Malayan rubber estates, it is likely that a large part of company profits has been repatriated. No breakdown of factor income payments to abroad is available. It may be surmised, however, that government measures to encourage replanting had some effect on re-investment by foreign-owned estates. Repatriation of investment must also have taken place; fully three-fourths of total planted acreage in rubber estates was European-owned in 1950; by 1958 the proportion had fallen to 63 per cent and by 1966 to 55 per cent. Nevertheless, production from European-owned estates still accounted for two-thirds of estate rubber output in the latter year.

Government revenues from rubber growing have been large, though prone to wide year-to-year variation and as could be expected, to long-term decline. No estimate of the aggregate of government revenues from rubber is possible from published statistics. The major source is the export duty and, secondly, company and personal income taxation (employment income, dividends, rent and interest from rubber); provident fund contributions and local and state taxes contribute lesser amounts. Since 1951 the export duty on rubber has been progressive, in respect of the price of rubber; the progressiveness was increased in 1955 and again in 1961. As intended, this characteristic has worked to counter fluctuations in incomes. Rubber export duties have provided more than one-fourth of federal tax revenue in years of high rubber prices but have shown a marked tendency to decline as rubber prices have fallen; the share of federal tax revenue from rubber exports was less than 6 per cent of the total in 1966. Though company tax is not progressive, the contribution of rubber profits to that element of government revenue has shown a similar pattern of fluctuation and long-term decline. Because of the large share of revenues from rubber in total budgetary income, the great fluctuation in rubber prices has been a major source of difficulty in the attempt to estimate government revenues. The decline in the contribution of rubber over the long term has required new sources of government tax revenue to be found.

3. *Tin: production, costs and incomes*

The value of tin exports from West Malaysia in the postwar period has averaged about one-fifth of gross exports. As a share of world output Malayan tin has constituted between a third and two-fifths, rising above 40 per cent in recent years. World demand and price movements, influenced in the late 1950s by the restriction scheme of the International Tin Agreement, have been the determining influences on Malayan tin production and exports. Two booms mark the postwar period, the first during the Korean war and the second in the mid-1960s.[43]

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[38] The acreage reconciliation published in *Rubber Statistics Handbook* suggests that perhaps 15 per cent of gross accretion to smallholder acreage was derived from estate subdivision between 1961 and 1966.

[39] For a detailed description of subdivision and its consequences see Ungku Aziz, *Subdivision of Estates in Malaya, 1951-1960*, three volumes, Kuala Lumpur, 1962, especially Vol. I.

[40] See Lim Chong Yah, "The Malayan Rubber Replanting Taxes", *Malayan Economic Review*, VI:2, October 1961.

[41] This is shown not only by the profit-per-unit data cited earlier, but also by reference to assessed incomes from rubber planting reported by the Inland Revenue Department. This latter source is comprehensive and includes virtually all estate-rubber profits in addition to an important, though not precisely delimited, proportion of earnings from smallholder rubber. The year-to-year fluctuation in this measure of aggregate profits from rubber clearly resembles that of the value of rubber exports, which in turn is chiefly determined by price fluctuation.

[42] Company taxation was assessed at 30 per cent of taxable income from 1951 and 40 per cent from 1959.

[43] Lesser upswings in tin prices occurred in 1954-1956, 1959 and 1961; a marked price decline followed the Korean war boom and lesser ones have occurred in 1957, 1958, 1960 and 1965-1968.

Production and export supply rose somewhat, though not consistently, from the early to the mid-1950s, to be cut sharply by the Tin Agreement restriction during December 1957-September 1960. Recovery was rapid in 1960, tapering off in 1961-1963 and rising thereafter in response to increasing prices during 1963-1965 and beyond.

Associated with these aggregate movements were important structural changes in the industry, reflecting changes in productivity, in particular the gradual exhaustion of tin deposits accessible to the mining techniques most generally used, dredging and gravel pumping. The relative importance of dredge output has fallen since 1963 to below that of gravel pumps. Similarly, the share of output from European-owned mines, predominant only in dredging, has declined since 1961 from approximately three-fifths of total tonnage, to less than half by 1966. Employment on tin dredges, the more capital-intensive of the two main methods of mining, has been less than that in gravel-pump mining in all years except 1959, during the period of export restriction, and the dredges, share in total tin mining employment has declined consistently since 1960.[44]

This implies a relatively smaller wage bill for the industry, since wages in dredging are higher than in gravel pumping, and a higher level of labour cost per unit of output, owing to differential productivity as well as to the general decline in output per man year.

As reflected in the statistics of utilized horsepower, machinery employed in both the major branches of tin mining has increased fairly consistently over the postwar period, the exception being the years of export restriction. Correspondingly, horsepower per head of workforce increased with fair regularity throughout the period for both types of mining. In the face of declining yields from tin-bearing earth,[45] capital has been substituted for labour in both mining processes. Output per unit of utilized horsepower declined over the period, irregularly by about 40 per cent for dredges and fully 55 per cent in gravel pumping.

Costs. Monthly earnings of unskilled workmen in the major segments of tin mining appear to be reasonably representative of general wage changes in each segment; in both the unskilled account for more than half of total employment. For the priod 1956-1966, for which earnings data are available, the general movements in the two segments of the industry are similar: a sharp fall in earnings during the restriction years of 1957 and 1958 (associated with sharp declines in employment) and an interrupted rise to 1966.

Wage costs are clearly the largest element in variable costs in both methods of tin mining. Fixed costs are greater in dredging than in gravel pumping, so that labour cost as a share of total unit cost is probably significantly larger in the latter. Wage cost per unit of output have been more flexible in gravel pumping than in dredging, perhaps particularly during the period of restriction. Although the rapid rise in tin prices during 1963-1965 may have eased the pressure of wage costs on profits, the decline in prices since 1965 must have been particularly onerous in dredge mining. Here the decline in productivity seems to be the fundamental element. In gravel pumping, it is possible that increased wages (required to attract additional labour) and the associated increase in wage costs have been offset at least in part by technically more efficient processes.

The structural shift, in which gravel pumping has grown larger in total output and employment than dredging, has occurred through the relative lack of adaptability in dredging and quite considerable flexibility in gravel pumping. The importance of the structural changes in tin mining would appear to lie in the fact that it is the smaller-scale, less highly organised, lower-productivity and lower-wage segment of the industry which has advanced, relatively and absolutely, during the 1960s. The gravel-pump segment is closer to the competitive stereotype, entry and exit are more facile, employment and wages more flexible, and profits, though probably considerably less in volume and rate, apparently also more variable. In the face of depletion of ores easily accessible to gravel pumping and a continued decline in the price of tin, the industry as it existed in the mid-1960s (and presumably still) is somewhat more sensitive to changes in demand, particularly downward, than was the case a decade or more ago. Thus, the tin industry is probably less stable as an employer and as a source of incomes than previously.

Export restriction, 1968. Under the third International Tin Agreement, the decision was taken in september of 1968 to restrict exports for the balance of the year. The quota granted to Malaysia amounted to an annual rate of 71,100 long tons (47.2 per cent of the aggregate export quantum). Official sources estimate this to be a curtailment equivalent to 4.5 per cent of the amount exported in 1967 and regard it as "mild".[46]

Though no measure is available which would permit an estimate, it is apparent that property incomes from tin mining contritute importantly to the flow of factor incomes abroad. The share of output owned by Europeans has declined only gradually; to the extent it has done so the process is likely to have been accompanied by the repatriation of capital investments.[47] Except for rehabilitation credits just after the Second World War, there has been no official effort to encourage re-investment in tin mining.

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[44] Up to and including 1965, the latest year for which comparable employment figures are at present available.

[45] For dredge mining, an indication of the decline in yield is found in the average rate of recovery in tin-content weight per cubic yard of earth worked. Except for a slight rise in the recovery rate in 1959 and 1960, the average yield fell by more than 20 per cent between 1954/55 and 1964/65. Department of Mines, *Bulletin of Statistics relating to the Mining Industry*.

[46] Bank Negara Malaysia, *Quarterly Economic Bulletin*, III, 1968, p. 26.

Government revenues from tin come from the export duty and the corporate and personal income tax. From 1965 a tin profits tax has been levied on both company and personal profit incomes from tin, at the rate of 10 per cent of taxable (net) profits, in addition to ordinary income tax. Unlike the export duty on rubber, that on tin is only mildly progressive and the rates have been raised only once during the postwar period (in 1961). As a share of the net value of exports of tin metal and concentrates, tin export revenue has ranged between 17 and 18 per cent in most years, following the price of tin. As a share of federal tax revenue, the range has been wider, from 5 or 6 per cent during the export restriction years to 8 or 10 per cent in recent years. In years of good rubber prices, tin export revenue has been a third (1955) or somewhat less (28 per cent 1960) of the value of rubber export revenue. Since 1964 this revenue from tin has exceeded its counterpart from rubber. As compared to rubber, both the smaller year-to-year variation in prices and the markedly less progressive tax rate have made tin export revenues considerably more stable.

4. *A strategy for money*

Under the Currency Board system which had been operative in Malaya, the Borneo territories, Brunei and Singapore since 1906, there was little scope for monetary policy. The sterling exchange system functioned to accommodate trade and to provide exchange stability and did so on occasion at the expense of internal stability. The supply of money was largely determined by the balance of payments. Although there was some scope for selective credit control[48] and the possibility of affecting the supply of credit by shifting reserves between London and banks in the Currency Board area, neither of these possibilities had been utilized as a means of monetary control.[49] Until the early 1960s, changes in the supply of money were closely correlated with those in foreign reserves of the monetary system and in the balance of payments. In addition to the reserves of the Currency Board, a large part of government reserves and reserves of the commercial banks were held in foreign assets, mainly sterling. Dominated by local offices of foreign banks, the banking system catered for the credit needs of trade and primarily foreign trade.

With the coming of independence and the growing desire to move government policy towards active encouragement of economic development, the necessity to create a banking and monetary system subject to national control became increasingly clear. Prompt steps were taken to establish a central bank and to initiate the process of developing and domesticating the banking system so that, in the ripeness of time, control could gradually be assumed. Effort was thus directed by a strategy of development of monetary institutions which would in measured phases permit the exercise of monetary policy.

The first steps included the establishment of the central bank,[50] of a banking ordinance for the regulation of the commercial banks and, in 1960 (with the other members of the Agreement), of domestic control of the Currency Board arrangement.[51] The central bank was given standard functions and powers, though in large part these could not be exercised until further development of the banking and monetary system had taken place. In particular, the Bank was not to issue currency, since this was being done by the Currency Board. In the event, the function of currency issue was not assured until mid-1967; political changes involving the establishment of Malaysia and the subsequent withdrawal of Singapore contributed to prolong the delay.[52]

Reorientation of the banking system to cater increasingly for credit needs other than those of trade was also a process which required time. It has several facets, one of which is the domestication of reserves of the commercial banks. Rather than exercise its authority to require the draw-down of foreign assets, the central bank succeeded in persuading commercial banks to shift reserves from abroad to acquire a larger proportion of local assets. The holding of Malaysian assets was made mandatory only in 1965, to fulfil the statutory liquidity requirement (of 20 per cent of deposit liabilities). Ten per cent of deposit liabilities was to be in local liquid assets, other than government securities. Between 1958 and 1967 commercial bank foreign assets were reduced from M$322 million to 71 million while local assets expanded from M$ 485 million to 2,300 million. With the acquisition of the Malaysian share of the reserves of the Currency Board by the central bank, its position as the major owner of foreign exchange was established.

Among the assets which fulfilled the liquidity requirement, government treasury bills received increased emphasis. In 1967, the banks held nearly one fourth of their resources in treasury bills. With the development of a discount market in treasury bills the Bank has acquired increasing strength as a lender of last resort. In addition, the increase in the market for treasury bills has permitted the Government to reduce the rate of draw-down of its overseas assets to finance the budget deficit.

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[47] An examination of share ownership in a group of locally incorporated tin mining companies reveals a net withdrawal of foreign capital from this segment of the industry between 1954 and 1964. Local capital apparently increased over the period, though not necessarily net new investment. (Yip Yat Hoong, "Recent Changes in Ownership and Control of Locally Incorporated Tin Dredging Companies in Malaya", *Malayan Economic Review*, XIII:1, April 1968).

[48] P.W. Sherwood, "The Watson-Caine Report on the Establishment of a Central Bank in Malaya", *Malayan Economic Review*, II:1, April 1957.

[49] F.H.H. King, "Notes on Malayan Monetary Problems", *Malayan Economic Review*, III:1, April 1958. King notes that when such a shift was made, it was to take advantage of higher interest rates in London.

[50] Bank Negara Tanah Melayu, operative from January 1959; since 1963, named Bank Negara Malaysia.

[51] Bank Negara Malaysia, *Annual Report*, 1967, p. 49.

[52] For a brief account of the so-called currency split, see United Nations, *Economic Survey of Asia and the Far East, 1967* (Sales number E. 68. II. F.1), p. 91, and the references to fuller reports cited there.

Because of the continued close ties with the London money market, it has been necessary for Bank Negara to manage its interest rate policy with some reference to London rates. A measure of independence has been achieved as the reserve base for domestic short-term credit has been domesticated and broadened. The Bank is empowered to stipulate minimum rates on commercial bank loans and advances and maximum rates on time and savings deposits. The treasury bill discount rate has been kept equal to the latter, at a constant margin below the former. Variation in rates has thus far been moderate and generally precautionary in tone. It is not entirely clear that the discount market has yet become a significant factor in the control of the supply of credit. Considerable domestication of commercial credit has evidently taken place over the past seven or eight years. Loans and advances have grown by an average of 15 per cent per year since 1959.[53] There has been, however, a clear deceleration in the rate of increase, in part a statistical effect and possibly in part under the influence of the gradual increase in interest rates. Though it would be premature to pass judgement on the efficacy of monetary policy at present, it is apparent that the basic strategy has registered modest success.

Concomitant with the domestication of credit, its structure has also begun to change. Thus loans and advances, previously dominated by traditional export sectors—rubber, tin and foreign trading—have become increasingly oriented to other commodity production, to construction activity and to domestic trade. Construction and manufacturing, which together accounted for less than 15 per cent of total loans and advances in 1960 (in Malaya), absorbed a fourth of the Malaysian total in 1967. Commerce, tin and rubber, which had received more than half the total in 1960, took only 42 per cent in 1965 and less than two-fifths in 1967; both 1960 and 1965 were years of high exports.[54]

Although the central bank's assumption of the currency issue in June of 1967 upon the dissolution of the Currency Board provided the basis for a new departure in monetary management, certain limitations have been permitted to remain. The new Malaysian dollar is defined in terms of gold, rather than sterling, and is to be kept freely convertible at par with the dollars of Singapore and Brunei. On the basis of the proportion of external reserves required by the Currency Board agreement at the time of its dissolution, the minimum external reserves are required to be 80.59 per cent of total currency liabilities. At the end of 1967 the foreign exchange cover for the new currency exceeded 100 per cent, even when the external reserve requirement of 35 per cent of Bank Negara's deposit liabilities is included.[55]

5. *Fiscal policy in export dependency*

In view of the virtual absence of monetary policy until well into the present decade, the fiscal operations of the Government assume added significance both for the problem of stability and for the possibility of development. There was little in government action prior to the 1960s which could be termed fiscal policy; none the less the budget did play an economic role, albeit a relatively passive one. At most, an attempt was made to offset some part of the fluctuation in prices and incomes imposed by fluctuations in trade. It is a matter of judgement whether more could have been done, especially by way of mobilizing and capturing for investment some part of the surplus and applying it so as to change the structure of the economy.

Realization of such possibilities was awakening by the later years of the 1950s. With it came the understanding that action to promote growth and development was not necessarily incompatible with that intended to counter instability. In part, this represented acceptance of the distinction between problems of stability and those of growth. During most of the period before 1960 the major concern was with instability. Growth in some broad sense was desired and pursued mainly because of the pressure of population growth and the associated demand for more schooling and for medical and health services; there was as yet little concern with problems of employing the rapidly increasing population. Fiscal means to these ends were difficult to find, in part because of the character of policy and in part because of a downswing in the trade cycle which made it seem necessary to reduce planned expenditure because of budget stringency. Such development policy as there was lacked objectives of structural change but were confined to the rubber replanting schemes and to the development of public utilities, transport and communications facilities.

The instability of export dependent budget revenue is of course bound to impede the exercise of development policy by fiscal means. Government revenues depended heavily on external trade. The long view rightly emphasizes the downward trend in the share of trade taxes in total revenues, from two-thirds or more on average in the early 1950s to some two-fifths in the most recent years.[56] From the viewpoint of annual revenue collection, fluctuations in budgetary income are rather more perturbing. Trade taxes provided 70 per cent of federal revenue in 1950/51 but only slightly more than half in 1953; nearly two-thirds of the total in 1955/56 but under 60 per cent in 1958; the share rose above three-fifths in 1959/60 but has since declined, almost without interruption.

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[53] Through 1967. Only in 1965 was this expansion well below average, as marked improvement in exports made the public particularly liquid. Over the period since 1959 the rate of growth in loans and advances has exceeded that of deposits in every year except 1965.

[54] Examination of the proximate determinants of money supply for the period since 1960 or 1961 indicates that the influence of the balance of payments (through "high—powered" or reserve money) has declined in comparison with earlier years. Changes in the cash ratios of the banks and the public have correspondingly increased their influence. Cf. G.W. Betz, "A Note on the Money Supply in Singapore, 1957-1966," *Malayan Economic Review*, XII:2, October 1967, especially p. 120.

[55] Bank Negara Malaysia, *Annual Report*, 1967, p. 3.

[56] Federal government revenue, excluding the revenue of Malayan state governments.

Of these taxes the levies on exports varied most widely throughout the postwar period, though with diminishing amplitude. Revenue from this source doubled between 1950 and 1951, partly in consequence of rate changes during the Korean war boom. In 1954 it fell to one-third of its peak value; the figure then doubled in 1955. A new low followed in 1958 and a peak in 1960; thereafter the amplitude of fluctuation decreases. These variations were largely due to fluctuation in rubber export tax revenue. Import duties, by contrast, show considerably less variation and a strong upward trend over the years. Income tax revenues fluctuate with the swings of trade, though with a lag of approximately a year. In consequence, total federal revenue has reflected the broad swings of trade and income.

In large part as a result of this fluctuation, budget planners typically underestimated total revenue intake. From 1950 through 1966 actual revenue declined in only three years. Budget estimates[57] correctly anticipated the direction of change in all but three years and actual revenue was typically underestimated. Overestimates occurred in 1958, a year of depression in trade, in 1965 and 1966.[58] Not surprisingly, the largest percentage differences between budget estimates and actual revenue collections occurred in export duties; during the 1950s, revenues from exports were not infrequently overestimated. Errors of estimation in percentage terms were markedly smaller in import duties, but the frequence of underestimation has been greater, particularly since 1967—years in which new import duties have been added.

Budget estimates of expenditures show another pattern.[59] From 1954 through 1962, actual expenditure from the ordinary budget was less than budget estimates. Clearly there is an asymmetry between revenue and expenditure in respect of budget estimates and actuals, for expenditures are subject during the budget year to a degree of control which can scarcely be exercised in respect of revenues. For the greater part of the period under review, the Government was unable to spend all that was budgeted. During the late 1950s and perhaps the early 1960s, the administrative capacity of the civil service suffered from staff shortages and lack of experience as expatriate officers were rapidly being replaced.[60] There was undoubtedly an element of colonial administrative conservatism which lingered as well; it is more clearly reflected in the persistent tendency (prior to 1965) to underestimate renenue. In the early 1950s, expenditure on internal security and other purposes related to the emergency made actuals exceed budget estimates; in recent years the ability to spend has been much enhanced, and during the hostilities with Indonesia (1963-1965), extraordinary conditions prevailed.

On the basis of original budget estimates, it appears that the Government regularly budgeted for a deficit. Actual surpluses appeared in the ordinary budget in most years before 1963; the only exceptions were years of poor trade — 1953, 1954 and 1958. It is not unlikely that budgeting for a deficit may have had the purpose—and perhaps the effect—of restraining ambitious administrators and making tax increases less unpalatable.

The importance of central government revenue to major economic aggregates has been presented in earlier tables;[61] it remains to attempt an assessment of the impact of the budget on crucial economic variables related to stability and growth.

Assessment of the effect of the budget upon price changes is hindered by the automatism of the sterling-exchange monetary system. In addition, there are other automatic stabilizers at work, notably factor income payments to abroad.[62] The size of these payments fluctuates with exports and income and has thus continued to play a deflationary role in periods of prosperity. This countercyclical effect has lessened in recent years by what appears to be the repatriation not only of profits but also of investment. No breakdown of these payments by source is available to permit any examination of this supposition. Private transfers abroad, in recent years only half as large as income payments, have shown greater stability, though even they tend to fluctuate with private income. Although accretion in government overseas assets has appeared semi-automatic in the past, a draw down of these assets to counteract deflationary movements is clearly discretionary. As noted in the section on banking, the domestication of commercial bank reserves has been achieved under central bank tutelage and now allows offsets to the deflationary effects of falling export prices.

Anti-inflationary taxation measures were taken too slowly and were not sufficiently strong to absorb much of the inflationary effect of the Korean war boom. In subsequent years, taxes have been raised mainly to increase revenues but in some cases to curb inflationary effects. The anti-inflationary cess on rubber (from 1955) was only partially effective, since part of the proceeds were returned to smallholders. The progression of export duty rates on tin was scarcely effective in countering cyclical swings; however, in 1965 an excess profits tax with clear anti-cyclical incidence was imposed on tin profits. The increase in the company income tax rate in 1959 certainly contributed to soak up a part of increased profits in the boom year of 1960. Since that time exemptions from company tax permitted under the Pioneer Industries legislation have presumably had some effect in their primary purpose, to encourage increased private investment. Though gross private capital formation has increased with fair regularity since 1961, it has done so at a rate no greater than that in GNP. The impact of tax policy on cyclical fluctuations remains ambiguous. In the event, inflation has scarcely been a problem in Malaya for more than a decade. In the two boom periods since the mid-1950s, taxation and the automatic stabilizers have kept domestic prices remarkably stable.

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[57] Reference is to the budget estimates as originally published.

[58] On the basis of revised estimates, revenue was expected to fall short of the budgeted figure in 1967 as well.

[59] Here reference is to ordinary expenditure, including grants to states and statutory funds; since 1958 the latter include the development fund. Expenditure from these funds and by the states is excluded.

[60] See Lee Soo Ann, "Economic Growth and the Public Sector in Malaya and Singapore, 1948-1960" (unpublished Ph.D. thesis, University of Singapore, 1968), pp. 308 and 309.

[61] Tables I/13 and I/14.

[62] Paul Meek, "Malaya: A Study of Governmental Response to the Korean War Boom", in T.H. Silcock, *Readings in Malayan Economics*, (Singapore, 1961).

Taxes on imports have contributed between 30 and 40 per cent of federal revenue during the postwar period, fluctuating moderately with the fluctuation in import values. Their share in total revenue has gradually declined during the 1960s, being replaced mainly by excises as import substitution has occurred.[63] The growth of import substituting production is not wholly the result of import tariff policy; it also rests on the direct encouragement of manufacturing and in particular, of the cultivation of rice. There has been an apparent decrease in the marginal propensity to import in recent years; the decline in consumer goods imports as a share of total consumption has been considerable.

The effect of fiscal measures on saving and investment is difficult to determine. Government savings were fairly clearly influenced by the inflow of government revenues in the latter half of the 1950s and into the new decade. However, as implementation of the second Malayan plan gained momentum, regular annual increases in revenue were associated with negative annual savings. A distinct shift in policy was taking place. The influence of the budget on private savings and investment is even more difficult to assess. In the 1950s, the Government may have acquired resources which would probably have gone into private saving and the holding of assets abroad.[64] To the extent that inroads were made into payments to abroad, the net effect would have been desirable. Despite the decreasing shares in major areas of production owned by non-nationals, it is likely that such transfers continue to take place. As a partial offset, however, the reduced taxation of profits under the Pioneer Industries scheme must be noted. On the other hand, there have been direct effects of government policy to encourage private investment, both in respect of Pioneer firms and in rubber replanting.[65] Government investment has also increased under the development plans.

As regards employment, the increase in government activity during the 1950s supported by expenditures from the budget, contributed to the large increase in employment in the services sector. Between the censuses of 1947 and 1957 more than half the increase in total employment was accounted for by this sector. However, a comparison of the data from the 1962 Survey of Employment and preliminary results from the Employment Survey of 1967, shows a quite different pattern.[66] Here the direct influence of government expenditure is barely seen. Rapid growth in employment in public utilities is evidence of public investment, though not a result of the government

Table I-A-15. West Malaysia: Growth of the public sector, 1955-1967

Year	*GNP at current market price (M$ mn)*	*Federal budget*				*Public sector expenditure on GNP*						
		Revenue		*Expenditure*[a]		*Consumption*	*Capital formation*		*Total*		*Share of GNP*	
		M$ mn	*Percentage of GNP*	*M$ mn*	*Percentage of GNP*	*M$ mn*	*M$ mn* (1)	*M$ mn* (2)	*M$ mn* (1)	*M$ mn* (2)	(%) (1)	(%) (1)
1955	4,756	797	16.8	712	15.0	647	-	129	-	776	-	16.3
1956	4,842	803	16.6	740	15.3	705	-	141	-	846	-	17.5
1957	4,948	801	16.2	787	15.9	738	-	161	-	899	-	18.2
1958	4,758	762	16.0	848	17.8	768	-	133	-	901	-	18.9
1959	5,316	891	16.8	838	15.8	774	-	108	-	882	-	16.6
1960	5,863	1,069	18.2	856	14.6	794	206	140	1,003	937	17.1	16.0
1961	5,889	1,081	18.4	940	16.0	871	337	257	1,208	1,128	20.5	19.2
1962	6,196	1,097	17.7	1,003	16.2	927	483	397	1,410	1,324	22.8	21.4
1963	6,583	1,150	17.5	1,277	19.4	1,063	492	394	1,555	1,457	23.6	22.1
1964	6,962	1,221	17.7	1,708	24.5	1,223	486	375	1,709	1,598	24.6	23.0
1965	7,617	1,352	17.8	1,629	21.4	1,357	522	415	1,879	1,772	24.7	24.0
1966	8,028	1,497	18.6	1,713	21.3	1,538	489	367	2,027	1,905	25.2	23.7
1967	8,218[b]	1,667[c]	20.3	1,878[c]	22.8	1,600	564	...	2,164	...	26.3	...

Source: National accounts, budget estimates and financial statements.
Notes: (1) Includes all public sector gross capital formation.
(2) Excludes investment by public corporations and stock changes of general government.
[a] Ordinary expenditure, including grants to states and statutory funds (including development fund from 1958).
[b] Preliminary.
[c] Revised estimates.

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[63] Chiefly on petroleum refinery products, tobacco products, alcoholic beverages and other consumer goods.

[64] Lee Soo Ann, *op. cit.*, p. 273.

[65] For the 1950s, Lee (*ibid.*, pp. 271-273) concludes that any effect of government fiscal measures on private saving was marginal at most.

[66] Federation of Malaya, *Survey of Employment, Unemployment and Underemployment*, 1962, and Malaysia, *Provisional Data on Employment and Unemployment: West Malaysia*, 1967.

budget *per se*. The largest absolute increase occurred in manufacturing, again not the result of government expenditures. In agriculture a decline in employment appears in the major export sector, predominantly rubber. When data from the Labour Department are used to isolate the smallholder segment of this sector, it is reasonable to infer some increase there. In part, this is directly attributable to the decline in employment on the estates. Probably more important, however, is the provision of employment opportunities in smallholder agriculture by government shemes for new and replanting, mainly of rubber, financed through the export cess.

The time pattern of aggregate growth of the public sector in West Malaysia is shown in table I-A-15. Variations in the shares of ordinary budgetary revenue and expenditure of the Federal Government in GNP are seen to reflect fluctuations in income and, by inference, in trade. Revenues tend to become a relatively higher and expenditures a lower, percentage of GNP in years of high exports—i.e., 1955, 1959, 1960 and, with exception for revenues, 1965 - and the reverse in poor years. The public sector share of GNP expenditure suggests that such a pattern also prevailed in these aggregates through 1960; it seems to have disappeared thereafter. The rising trend over the whole period is apparent for all shares.

6. *Planning*

From an operational standpoint, planning has been almost entirely limited to the public sector; the development plans have been public sector capital expenditure plans. Although they provide a framework of projections of major economic aggregates, the plans do not attempt to embrace the whole economy in the mobilization of resources for development. The private sector is allotted the main burden of development under the plans; in terms of investment in recent years, public capital formation has provided less than two-fifths of the total, mainly in infrastructural facilities. Encouragement and incentives are and have been provided to induce private capitalists, domestic and foreign, to participate in the development process. In smallholder agriculture, government agencies have, however, taken the initiative to organize development projects with the participation of small farmers. The influence of the planning process is of course not limited to direct participants. To the extent that the business community accepts as credible the targets announced by the authorities, private decision making will be influenced by the process of planning. There is ample impressionistic evidence that government-sponsored programmes have encouraged private sector development. In the absence of explicit criteria to assess the response, however, it is virtually impossible to gauge the effectiveness of government efforts to influence the private sector.

Rather more concrete indications of the significance of Malayan planning are found in the magnitude of plan outlays and their growth over time. The size of the planning effort relative to national product and to total public sector expenditure is shown in table I-A-16.

It should be quite clear that the major upward step in Malayan planning occurs between the first and second plans, that is, in 1960/61.[67] Total non-defence outlay under the second five-year plan was 2.4 times that under its predecessor. As a share of GNP, total outlays approximately doubled. The scale of planned non-defence expenditures in West Malaysia under the first Malaysia plan were intended to be only a third larger than the corresponding actuals during 1961-1965. On the basis of estimated actual GNP and public sector outlays during 1966 and 1967, the increase is considerably smaller.[68]

Table I-A-16. Malaysia: Relative magnitude of development outlays

Plan or target	*Average annual plan outlays*		*Percentage share*[a] *of*	
	Including defence (M$ mn)	*Excluding defence (M$ mn)*	*GNP*	*Public sector*
First Malayan plan, 1956-1960	201	193	3.9	26.0[b]
Second Malayan plan, 1961-1965	530	469	8.0	34.2
First Malaysia plan, 1966-1970				
West Malaysia, 1966-1966[c]	743	643	9.2	35.4
Malaysia, 1966-1968[d]	836	699	8.6	34.6
Malaysia, target[e]	968	830	9.4[f]	37.3[f]

Sources: *First Malaysian Plan* (1965) and *Mid-Term Review of the First Malaysia Plan* (1969).

[a] Including defence expenditure.
[b] Public sector expenditure in 1960 only.
[c] Plan targets on actual GNP and public sector expenditures.
[d] Estimated expenditures.
[e] Revised targets for 1966-1970.
[f] On average of 1966-1968 actuals and 1969-1970 projections.

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[67] Historical accuracy requires mention of the 1950-1955 plan, instituted under the colonial regime. The scale of actual expenditure under this plan was M$137 million per annum, or approximately 3 per cent of GNP.

[68] There are no estimates available of actual outlays by territory. The first Malaysia plan allocated 61.5 per cent of total non-defence expenditure to West Malaysia. When the plan was published in 1965, West Malaysia produced 87 per cent of total Malaysian GNP and had upwards of 85 per cent of the total population.

Budgetary constraints, staff shortages and administrative weaknesses,[69] made it appear necessary to reduce the size of the first Malayan plan. The depression in trade and the consequential reduction in government revenues in 1957 and 1958 cut total expenditures from the planned level of M$ 1,149 million to M$ 1,007 million for 1956-1960, a shortfall of 12 per cent. Expenditures for utilities and for land development exceeded plan by about 10 per cent, while Public Works Department plant and equipment increased by 80 per cent over plan. All other expenditure heads were trimmed; municipal development, health and education suffered the greatest relative cuts. In the event, the rubber export boom of 1959/60 replenished government revenues; reserves were built up rather than drawn down. Had it been possible to foresee the upswing or had it been deemed feasible to borrow or to draw down reserves during the period of stringency, it is likely that the risk would have been well repaid, not only in terms of fulfilment of plan and of government finances, but in terms of private incomes and consumption as well.

In its original version, the second five-year plan envisaged a total expenditure of M$ 2,090 million (M$ 2,150 million including defence and internal security). By 1963, conditions permitted an upward revision of roughly 25 per cent in total non-defence outlays; the total over-all revision, including defence, was more than a third greater than the original target. The Indonesian confrontation (from late September 1963) promptly dampened the optimism which had led to upward revision of the plan. Nevertheless, the revised expenditure targets fared reasonably well; total outlays fell short of revised targets by about 10 per cent, but this corresponded to a gain of about 12 per cent on original non-defence targets. Again the greatest proportional shortfalls came in general administration, health and education. Even expenditure on agricultural programmes fell short of revised targets, though not of the originals.

The First Malaysia Plan, 1966-1970, has just recently undergone its mid-term review, with the result that most of the major economic targets have been revised upwards.[70] Neither actuals nor revised targets are given by territory, but it is unlikely that the magnitude of revision for West Malaysia is markedly different from that applied to the whole economy.

The basic framework of allocation, by sector, was established during the preparation of the first five-year plan and has remained at least recognizable since that time, though the precise proportions have seldom been closely followed. They were, roughly, 60 per cent to what was called economic sectors, 30 per cent to social sectors and the remaining tenth to the Government, including defence and internal security. The structural stability of planned outlays is perhaps the most striking characteristic of the successive plans and their revisions. The three major economic sectors-agriculture, transportation and utilities-have accounted for more than 60 per cent of planned outlay in each of the three plans (here reference is exclusively to West Malaysia even in respect of the First Malaysia Plan) and, owing entirely to better expenditure performance in transport and utilities, larger proportions of actual outlays. As far as intentions are concerned, allocations reflect the persistent aim to give priority to agricultural schemes. On the whole, expenditure programmes for agriculture have not been spent up to budgetary limits. The main reasons for this appears to be the inability to prepare and carry out programmes for which, in most cases, some kind of financial commitment has been made. The slip between priority emphasis and actual expenditure appears also in the social sectors; both in education and in health and medical programmes expenditures have fallen below—both absolutely and relative to other sectors—what was intended. The contrast with transportation and utilities is instructive. Dominant subsectors in each of these are well-organized departments or statutory boards, the latter with their own budgets and semi-independent developmental plans.

In addition to an array of activities later reclassified under "social", the major subsectors within agriculture have been rubber replanting programmes, expenditure on irrigation and drainage, and land development schemes, the latter two taking 22 per cent of the total civilian expenditure in the current plan. It is mainly rubber—and some other replanting, oil palm and coconut—among the traditional exports which has been given particular attention. To some extent, land development merges with rubber and oil palm planting schemes. For the rest, irrigation schemes are almost entirely oriented towards rice cultivation. Other major exports have had short shrift in planning, by and large. Tin and timber scarcely appear. Judging from the success of the timber merchants in despoiling the jungles it would appear that timber required little assistance. In the long run this oversight may be extremely costly in terms of erosion and flooding.

The rise in defence expenditure, during the second five-year plan, to 12 per cent of all plan outlays is a direct result of confrontation. This effect lingers into the Malaysia plan period as well; the subsequent decision of the United Kingdom to phase out its military presence will undoubtedly reinforce the tendency already visible to raise the share of defence expenditures in total.

The notion that growth involves structural change is not foreign to Malayan planners. Its most pointed statement is found in the recent mid-term review, but it is clearly found in the Malaysia plan and at least strong implications of it are to be discovered in the second five-year plan. Industrialization, under the plan, is to be left to private enterprise. Since the initiation of the new plan in 1966, a considerable increase has been made in the rather formidable list of incentives and inducements available to potential investors in secondary industry. The accent is on foreign investment, but local entrepreneurs are also encouraged; local participation is required in all foreign ventures. The most recent addition to the arsenal of inducements is the Investment Incentives Act of 1968, which is expected to contribute to a growth of private investment. Past experience has been that private investment varies in close relationship with exports. Between 1965 and 1968 it rose by 6.3 per cent annually, slightly less than projected in the plan, the deficiency occurring in the years of stagnant or falling exports, 1966 and 1967.

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[69] See Federation of Malaya, *Report on Economic Planning in the Federation of Malaya in* 1956 (Kuala Lumpur, 1957), p. 6, where it is noted that the work programmes listed for the Public Works Department would have required doubling its capacity.

[70] Malaysia, *Mid-Term Review of the First Malaysia Plan*, 1966-1970, Kuala Lumpur, 1969.

Whatever the attributes of structural change, the position of manufacturing among plan expenditure heads is modest (3 per cent of total civilian expenditures under the current plan). Diversification of the structure of agriculture has received rather more direct attention; reference has already been made to the schemes for increasing the output and exports of palm oil and coconut products. Mainly for domestic consumption, improvement in the output of the fishing industry and of livestock raising has been supported by plan schemes; improvement in rice yields and the proportion of home produced rice in total rice consumption has been going on at a modest pace for a number of years.

Of the sectors which have shown the highest actual rates of growth in value added (table I-A-17) it appears that only utilities can be related to action taken under the plans. Manufacturing shows rapid growth, partly because it was small to begin with and partly because it includes tin smelting and sawmilling, which have increased sharply in recent years. A third or more of the manufacturing sector is comprised of the processing of primary products. Construction, too, has boomed during the period, and in part this is in reponse to efforts made under the plans.

The scheme of development, as the plan presents it, is straightforward and consistent with recent government policies. Growth is to occur mainly in production for domestic use, as has occurred in the present decade. The Government's own investment is to rise quite significantly, by 13-14 per cent this year and next. It will be directed largely to drainage, irrigation and land development, which should support an acceleration of agricultural output for domestic use. Such an acceleration is required since non-export agriculture has grown in the present decade less rapidly than income or income per head. The rest will be growth of manufacturing, and this raises questions about imports, mainly of capital goods, but later, presumably also of current inputs.

The size of the public sector has been growing relative to GNP, and a further relative growth is implied in the plan. It envisages some restraint on private consumption, and private investment in recent years has just maintained its share of GNP.

The strategy aims at growth chiefly outside the export sector which will, however, continue to be protected by strong emphasis on stability and developed by government support for diversification.

The problem of the development policy of Malaysia can be posed in a variety of ways, each referring to different sets of decisions.

Firstly, it seems that the rate of growth of output, and with it the output targets for the near future, could be higher if less weight were given to caution in those types of economic policy which Malaysia relies on, and less also to the communal policies which, whatever their political justification, may have the

Table I-A-17. West Malaysia: Sectoral shares of gross domestic product, 1961, 1965, 1967

(at factor cost of 1964)

	Percentage of GDP			Average annual rate of growth	
	1961	1965	1967	1961-1965 (%)	1965-1967 (%)
Agriuclture	31.7	29.0	29.0	3.3	5.3
Rubber	(16.9)	(15.1)	(15.0)	(2.7)	(4.7)
Other agriculture	(14.8)	(13.9)	(14.0)	(3.2)	(6.0)
Mining and quarrying	8.9	7.9	7.6	2.8	2.8
Manufacturing	8.3	10.5	11.6	21.1	10.7
Construction	3.8	4.8	4.6	11.5	3.4
Electricity, water, etc.	1.5	1.9	2.2	12.0	11.4
Transportation and communications	3.7	3.7	3.6	5.3	4.2
Commerce	16.8	15.7	15.1	3.9	3.2
Finance	1.3	1.6	1.7	11.9	9.3
Administration and defence	6.5	6.9	6.8	7.1	4.5
Services	12.7	13.6	13.6	7.4	5.2
Gross domestic product (at factor cost)	100.0	100.0	100.0	5.6	5.2

Source: Malaysia, *Mid-Term Review of the First Malaysia Plan*, 1966-1967, tables 1-7.

effect of reducing the absorptive capacity of the Malaysian economy in the short run. A margin of opportunity presumably exists in manufacturing, and its exploitation requires the support of protective policy, credit and public participation.

The relative lack of urgency for an exhaustive exploitation of opportunities must be related to the official view of the future of traditional exports. Put quite simply, it is expected that the demand for natural rubber will grow and that the Malaysian rubber industry can successfully compete with all comers, producers of natural or synthetic rubber. The basic investments needed to put the industry into that position of high relative productivity have already been undertaken, and emphasis continues to be placed on research and the improvement of practices. Given the size and international position of the industry, the policy of investing in it what turned out to be a modest amount of additional resources was fully understandable. Judgements about the yields of that investment can, however, differ and it is on these judgements that so much of Malaysia's development strategy seems to depend.

In both rubber and tin, changes of technique are occurring which have wider implications. Wage laws and increasing wage rigidities, in a labour-surplus economy, seem to have stimulated a substitution of capital for labour in both industries. Population is still growing rapidly. Employment has become a major problem in this relatively high-income economy. The solution will be difficult without larger public expenditures and a wider range of development projects.

Wage costs, or rather the pressure of unions, and a bias in the system of replanting grants have also strengthened the tendency to break up estates. The increase in the productivity of rubber estates has simultaneously widened the yield gap between them and smallholdings. There are likely to be true economies of scale in plantation crops. If so, the growing smallholder section of the rubber industry, while easing the employment problem, may create a new category of relatively backward agriculture.[71] To the extent that the fragmentation is not fictitious the establishment of cultivator's co-operatives may reconcile, at least in this sector, the increased employment potential of small holdings with the exercise of modern management and the conveyance of advancing technical practices.

Given the still high level of dependence of income on exports, stability is an understandably important principle of economic policy in Malaysia. The willingness to expand faster than now planned may come with the recognition of the additional opportunities. Given a small population and natural resources that have been developed in highly specific ways, the growth of manufacturing—assuming other conditions of support and free access can be fulfilled—may depend on the progress of regional markets and their integration. It is thus in the interest of Malaysia that ASEAN should soon be transformed into an ambitious economic grouping.

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[71] Where the break-up is connected with replanting, one of the reasons for low productivity in small units disappears.

(c) Philippines

1. *Organization and functioning of the export industries*

Coconut

The production of coconut in the Philippines, as elsewhere, is carried on chiefly by small holders, over half of whom are cultivating their own land and are thus presumably unresponsive to quite wide variations in price. On the other hand, more than twice as many farms grow coconut than are specialized in the crop.[72] Farms normally produce alternative crops, even if specialized in coconut, apart from the cover crops — groundnuts, pineapple, cassava — which are grown to improve the yield of the palm. The pressure of declining prices can thus be evaded to some extent by concentrating on other crops. But farmers typically continue to harvest in the short run, whatever the price. The short-run costs of production are dominated by labour costs, which form some 90 per cent of the total.

The occasionally very wide fluctuations in the export of copra and coconut oil are due mainly to supply failures. Typhoon damage caused a decline in exports of coconut products in 1967 as well as in the first half of 1968, when they were 17 per cent lower than a year earlier. Thus the Philippines was not able to take advantage of the higher world prices; these, in turn, may have been influenced by the decline in this country's exports and production.

In the long run, cost includes the alternative uses of land and interest on planting capital. The gestation time for investment in coconut palms is seven to eight years, and even at the low rate of interest[73] of 6 per cent the capital element in full cost per hectare is estimated at about three times the prime cost of production.

The great productivity increases in the past were associated with the spread of the industry to new lands, in Mindanao. Fertilizers and cover crops as well as proper planting distances will improve yields but the use of fertilizers is not widespread. The average yield per tree in the Philippines varied between 29 and 47 nuts during 1950-1965; in 1964/65 it was 38. The area under coconut is increasing and there seems to be a significant net stock of palms that are not yet bearing.

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[72] The figures are 1,015 thousand farms and 440 thousand. (Census of Agriculture, 1960).

[73] Mariano P. Ramiro, "Study on Regional Plan Harmonization of the Coconut Industry," March 1968. (Paper submitted to ECAFE).

According to the 1960 agricultural census, the area under coconut amounted to 1.497 million ha, or about 27 per cent of total cultivated area. In the crop year 1964/65, this area was estimated at 1.605 million ha, with 240.9 million trees (185.3 million bearing) producing 7,052 million nuts. The phased devaluation initiated in 1960 had an impact on coconut production and exports. Between 1949 and 1959, the number of bearing and non-bearing trees grew at annual rates of 1.5 and 0.8 per cent, respectively; but from 1960 to 1965, the rates were 7.3 and 7.6 per cent.[74] A programme initiated in 1968 provides finance for new plantings on 5,000 ha annually for fifteen years. This should add some 30 per cent to the copra output of 1965.

The chief products derived from the coconut are copra, oil and cake, the prices of which move closely together, and desiccated coconut. Copra and oil are the most important derivatives, and the main change in the structure of output since the beginning of the last decade is the extent to which the share of exported coconut oil and its by-product, cake, has increased at the expense of copra.

Domestic consumtion of oil has increased in the long run at over 4 per cent per year, about three times faster than exports. Generally, exports claim the bulk of the main derivatives (see table I-A-9c). The table shows that domestic demand is less flexible than exports and that at times of falling supply (e.g. 1967) its share increases.

Production is expected to increase steadily and will be absorbed both by domestic consumption and in the world export market, to which the Philippines contributes the largest share: 63 per cent of copra, 60 per cent of coconut oil, 54 per cent of desiccated coconut and 47 per cent of meal and cake. Prices in world trade will thus be affected by developments in the Philippines. The prices of coconut products have remained steady but at present levels, let alone at higher levels, demand may be diverted to natural or synthetic substitutes. The problem, therefore, is to enlarge supply without raising costs. The recently formed Asian Coconut Community is intended to work towards that end.

The competitive position of the Philippines is buttressed by preferential arrangements with the United States. While copra is admitted duty free to both the United States and Europe, the former country grants a 2 per cent excise tax exemption to oil processing copra originating from the Philippines. Thus the United States coconut oil industry uses solely Philippine copra.

Under the Laurel Langley Act, coconut oil exports to the United States enjoy a duty-free quota, which was gradually reduced from 190,000 tons in 1956 to 120,000 tons in 1965. Between 1956 and 1962, the industry was unable to fill the quota, but as from the following year, exports exceeded the quota. At present, such excess imports are subject to a duty of one cent only; after the expiration of the Laurel Langley agreement, however, the full duty of 4 cents[75] will have to be paid.

The Philippines has also captured a large share of the European market for both coconut oil and copra, profiting especially from the decline in Indonesian exports. In the European Economic Community, coconut oil is subjected to a tariff of between 10 and 15 per cent on refined oil, to protect the domestic dairy industries. Philippine export policy is, nevertheless, still geared to the expectation of a continous decline of Indonesia's share of the market. The Philippines' recent statement that "any price setback (in international markets) will be countered by volume expansion", is nevertheless difficult to reconcile with its present position in the world market.

Sugar

Under a United States law passed in 1902, corporations are prohibited from acquiring or leasing lands in excess of 1,024 ha. As a result, sugar-mills are prevented from operating large cane estates and cane production is therefore conducted by farmers who deliver to the mills. Each mill is allocated a "mill district" where it can obtain sugar-cane from the farmers. Farmers contract to supply cane to the mills from a specified minimum cultivated area. The mills, which also furnish transportation, share the crop with the farmer by keeping between 30 and 40 per cent of the sugar. By-products such as molasses and bagasse are shared equally between planter and factory.

The farmers, or planters, generally employ large numbers of labourers, the technique of cultivation in the Philippines requiring a large number of seasonal labour, especially during harvesting time. Large sugar districts are plagued by labour shortages during the five and a half months of the milling season but unemployment is common during the remainder of the year. With the recent successes of the rice programme, the shortage of labour has become quite serious in northern Luzon. As a result of the Rice Production Programme, rice growing has become a year-round occupation, and labour from the rice farms is no longer available for seasonal work in sugar.

Costs of production are high by the standards of other exporting countries.

The high yield of 7.08 tons/ha in 1958/59 had dropped to 4.71 tons in 1965/66. (The figure for China (Taiwan) averaged between 8.4 and 10 tons during the same period.)[76] The low productivity of land seems due to the predominance of small farms of 1 or 2 acres and to the fact that the expansion of production occurred through the occupation of land of lower suitability or through more intensive harvesting from the same planting. Known new varieties and practices are capable of raising productivity; and the Government's sugar programme, patterned on the successful rice programme, will include propagation of high-yielding varieties, promotion of the use of fertilizers, improvement of the irrigation system, extension work and synchronization of the operation of planters and mills. Three new high yielding varieties promise yields of 150 piculs/ha, or almost twice the present average of 83 piculs/ha. The problem of multiplication of high-yielding cane points remains to be solved.[77]

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[74] Albert J. Nyberg, *Growth in the Coconut Industry*, 1901-1966, (mimeo).

[75] *Marketing of Copra*, United Coconut Association of the Philippines, 1967, pp. 6 *et seq.*

[76] *Philippine Sugar Handbook;* 1968, Manila, The Sugar News Press, p. 108.

Domestic consumption, which recently accounted for a little over 30 per cent of output, is increasing as a result of the growth in population and income. Consumption per head has doubled during the past thirty years and now stands at 37 lb raw value.

The controls on production and distribution, first imposed during the 1930s and again after the recovery of sugar production from its destruction during the Second World War, are linked with the position of this country's sugar in the United States market. The Laurel Langley Agreement, due to expire in 1974, guarantees the Philippines a large quota at the high internal prices in the United States.

In addition to the basic quota, the Philippines enjoys further quotas based on the United States Sugar Act, which will expire in 1971. In addition to the basic quota of 980,000 tons, 70,000 tons represents the Philippines' share of the relinquished Cuban quota since 1962 and 76,000 tons the statutory share of 10.86 per cent in additional United States consumption. The premium price obtained in the United States market is at present about US cents 7/lb—well above the average production cost of US cents 4.5, which itself is half as high again as the international free market price.

Control, administered since 1951 by the Sugar Quota Administration, extends to both production and trade and seeks to distribute the sugar between domestic requirements, the United States and the sugar reserve. Separate quotas are issued for each of these uses and distributed in proportions on a historical and *pro rata* basis among millers and planters. Production is licensed and licences are issued before the milling season begins. Sugar sales are made against weekly warehouse receipts (quedans); the latter specify the quota class of sugar and are issued to millers and planters according to their respective shares of established quotas for each mill.

During the last three years, the Philippines has been unable to fill its quota of sugar exports to the United States because of reduced output and the demands of domestic consumption. In 1967, the average domestic price was P 25/picul and the export price P 33.6.

The United States Sugar Act provides for the reduction of unfulfilled quotas except if the shortfall is due to special circumstances such as typhoon damage and is therefore temporary. Although typhoon damage was especially servere in 1967 the decline in yield cannot be attributed to this alone. The Government is embarking upon a five-year crash programme to assist the sugar industry in various ways, including loans for $100 million of investment in new mills. There is no agreement on whether the bottleneck is due to low productivity on the farms or to the inadequacy of the mills. It has been estimated that the twenty-seven mills operate only 85.1 per cent of their combined rate capacity[78] of 105,170 metric tons gross cane per day. Nevertheless, the Government-owned Philippine National Bank is understood to have offered $118.7 million in guarantees for the foreign financing obtained by five new milling organizations.[79] The Government itself, through its Sugar Task Force, is concentrating more on the production side, through assistance to sugar farmers.

The new programme, by reducing costs of production, will make the Philippines more competitive on the world sugar market. With the present glut in the market, however, the United States offers the only real hope of continued large-scale exports of sugar.

Logs, lumber and plywood

According to a survey carried out in 1964, 28 per cent of the total land area in the Philippines is covered with commercial forests and another 13.8 per cent with non commercial forest.[80] While most agricultural land is privately owned, more than 95 per cent of the commercial forests are publicly owned. Forestry is a capital intensive operation, requiring large tracts of land and capital equipment for logging and transport. The lumbering and logging industry is subject to government control. Commercial forest stands are subdivided into consessions, and licences are granted to private entrepreneurs to extract the timber. The volume of cut or harvest is controlled on the basis of the Government's sustained yield programme. But the control would not appear to work with much precision. Recently, the Government was obliged to cancel all logging permits in watershed areas and, in July 1968, all logging operations in the Pampanga and Penaranda river basins were banned in order to protect its irrigation programme. Forest denudation has become a serious problem, and it was estimated that every year 170,000 ha of forest is lost to the country, one third on account of poaching.

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[77] With regard to the use of fertilizer, studies have indicated that 100 kg of ammonium sulphate/ha will increase the yield by 10 piculs, providing an additional net income of 150 p/ha to the planter, who invests P 30 in two bags of fertilizers. Philippines, Sugar Production Task Force, *The Sugar Production Programme*, 1968-1972.

[78] Manuel Elizalde, "The Philippine Sugar Industry Today", *Philippine Sugar Handbook*, 1968 edition.

[79] "Philippine Sugar in a Dilemma", *Asian Industry*, August 1968.

[80] *Philippine Lumber Industry Statistics*, 1964, Compiled by the Philippine Lumber Producers' Association, Manila, 1965.

The value of exports, of logs, lumber and plywood was $224.8 million in 1967, $10 million more than coconut products. Most of the exports, however, are in the form of logs. Plywood exports, while growing very fast, still do not exploit the maximum potential, despite the preferential tariff rates in the United States, the sole importer of plywood from the Philippines.

The predominance of logs stems largely from the financial difficulties of the concessionaires, in particular of the small firms. The large firms with adequate collateral can obtain credit, but the smaller firms can only acquire capital for mechanized logging by first exporting their logs. Once the machinery is paid for, the concession is depleted and a new concession has to be obtained. The plywood plants are put up by the larger firms, but only after several years of intensive logs exports. The logs go mainly to Japan, China (Taiwan) and the Republic of Korea, countries which in turn export plywood to the United States. In order to encourage the processing of logs, the Government, in January 1969, proposed a 10 per cent tax on log exports but this measure has still to be approved. A government directive of May 1966 seeks to enforce the consolidation of small forest areas and calls for the establishment of processing plants for plywood and veneer in larger areas. Its plywood exports having stagnated in the past five years, this country has dropped from second to fourth place in the United States market, behind Japan, China (Taiwan) and the Republic of Korea.

2. *Export policy*

Foreign exchange policy weighed heavily on the export sector throughout the 1950s. Exporters and other foreign exchange earners were required to surrender their foreign exchange at the official exchange rate of P 2.00 per dollar. In spite of the fact that postwar prices in the Philippines were five to six times their prewar level while United States prices had merely doubled, the Government was determined to maintain the prewar parity of the peso. This led to the emergence of a free market rate.

The system was justified by the Government as a means to encourage national industry and thus to end the country's dependence on exports of primary products. As a result, however, officially recorded exports did not increase as fast as expected and controls began to be systematically evaded by under-declaration of exports; by smuggling, which was relatively easy because of the wide dispersion of islands and export outlets; and by illegal transactions which kept abroad part of the foreign exchange allocation to importers without resulting in imports.

The amount of foreign exchange which evaded control has been estimated at around 10 per cent of total exports; other estimates are considerably higher. The sudden jump in recorded exports after decontrol, in 1962, gives an indication of the magnitude of unrecorded trade. The free market rate of the peso approached P 3.00 per dollar by 1955. Devaluation in stages began in 1960, when multiple exchange rates were introduced. In 1962, a freely fluctuating exchange rate was applied to 80 per cent of foreign exchange proceeds from exports, the remaining 20 per cent to be surrendered at the old rate of P 2.00 per dollar. As the free market settled at around P 3.90 per dollar, exporters were effectively getting P 3.50 pesos per dollar. Finally, in November 1965, the requirement that exporters surrender 20 per cent of their proceeds was abolished.

The initial effect of devaluation on recorded exports was spectacular and exports jumped by 30 per cent in 1963, having increased by 11 per cent in 1962. This contrasted sharply with the 1961 decline of 11 per cent. While part of the spectacular increase must be attributed to the return to legality of formerly smuggled exports, some part was certainly "real" exports. Copra replaced sugar for the first time as top export earner. Plywood and even abaca exports rose also in 1963. The effects of devaluation, however, petered out quickly and exports in 1964 and 1965 rose by only 2 per cent and 3.6 per cent, respectively. In 1966, exports rose by 7.8 per cent but fell again by 2.1 per cent in 1967, mainly because of typhoon damage to the major crops such as sugar and coconut.

While devaluation certainly helped, a long-term sustained growth in exports will depend on policy measures to diversify exports and to increase the share of manufactured products. Manufactured exports have not received adequate emphasis in the past. Between 1955 and 1966, their share rose from 8 to 12 per cent only mainly on account of higher plywood and canned pineapple exports. An estimate of the effective protection rate in fifty-five manufacturing industries shows the export sector to have been penalized even after decontrol.[81]

On the other hand, since decontrol, the export sector has been exempted from export taxes and an important source of revenue has remained untapped. The sugar industry, which is earning monopoly profits because of protected entry into the United States has always escaped taxation. Furthermore, the export taxes on logs and molasses, proposed in January 1968, have been defeated. Except for 2 per cent excise levied on all milled sugar and the income tax paid by certain firms, the sugar industry does not transfer to the public authorities any of the income that it obtains under a treaty which was presumably made in the national interest. The coconut oil industry which also benefits from privileged access to the United States market (though not from a premium such as is guaranteed to sugar), is exempted from the millers' tax on the exported part of its output. For lesser exports, the Joint Legislative Executive Tax Commission has recently recommended tax incentives to encourage diversification.[82]

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[81] Coconut oil, embroideries, pineapple canning, cordage, lumber, brewery and malt and desiccated coconut suffered a "negative rate of protection" compared to positive protection for other industries, notably import substitute consumption goods. The effective rate of protection takes account of the protection given to the final output against foreign competition—and this is absent for exports—as well as of the additional costs that fall upon the output because of the protection given to domestic production of required inputs. Cf. John Power, "Import Substitution as an Industrialization Strategy", *Philippine Economic Journal*, vol. V, No.2, 1966, p. 189.

3. *Development policy*

However limited the operational content of planning may be in the Philippines, the projections that have been published in the plans may be accepted as reflecting informed expectations about the manner in which the economy is likely to adjust to changing circumstances. The authors of the projections in the original version of the current four year economic programme (1967-1970), which was published in 1966, were pessimistic about the growth of exports. They believed that the effects of decontrol and devaluation would exhaust themselves, that timber exports would slow down owing to government control on deforestation and that competition from American soyabean and African ground nuts would narrow the market for copra. The growth of manufactured exports, especially of plywood and processed metals, was not expected to compensate these factors, and the rate of growth of exports was therefore put at around 3 per cent per year, less than half the expected 6.2 per cent for GNP. Accordingly, it was anticipated that export dependence would decrease.[83] An increase in agricultural outputs for domestic consumption and a resumption of industrialization were designed to ensure a growth of total income far higher than that during the four years preceding 1967 (4.6 per cent). The envisaged increase in private and public investment activity was expected to increase imports by 12 per cent annually and the resulting external gap called for a large net capital inflow of $1.03 billion over the four years. In the four years prior to this programme there was an average outflow of capital of $35 million per annum. Although the inflow appears to have risen during the first two years of the programme, it is far below the level required by the plan as drawn up in 1966.

A recent revision of these projections or targets concerns mainly foreign trade. Exports are now expected to increase by 6.7 per cent per year—faster than GNP, which will thus become rather more dependent on production for exports. The anticipated rate of growth of exports implies an acceleration above that of the period 1963-1966 (omitting the sharp leap from 1962 to 1963, which presumably reflected in good part the incorporation in official statistics of hitherto unrecorded flows). The achievement of an annual growth of exports of almost 7 per cent would seem crucially to depend on the assumed rate of 6 per cent for coconut products. Given the dominant position of the Philippines in this market and present trends in world markets for oils, it seems an optimistic forecast—except for the short run, in which earlier levels of exports might be recovered. The exports of both coconut products and sugar have recently been deficient in relation to market opportunities; in the long run, however, the growth of either may depend essentially on access to the American market on preferential terms.

The expectations regarding imports have been revised downwards, to about the actual rate of growth in 1963-1966. This implies a growth in the import coefficient of expenditure from 14 to 16 per cent over the four years. The composition of the imports, if open to interpretation as a projection rather than a target strictly conditional on the very uncertain implementation of a plan, implies rapid rates of growth for raw materials and capital goods, and stagnant imports of consumer goods.

The result, in terms of the projected balance of payments, is a foreign exchange gap of P 2,359 million over four years instead of the surplus of P 622 million over the preceding four years. The downward revision of the expected foreign exchange gap, from over $1 billion to less than $700 million over four years, reflects inverse adjustments of the rates of growth of exports and imports. The revision affecting imports presumably assumes the fulfilment of certain broad conditions of which three appear to be of particularly great importance for the development of the Philippines in the medium term. The first of these relates to the technical success of the programme of rice production; it relates also to economic success in the avoidance of diminishing returns without so heavy a diversion of resources as to threaten the realization of the remaining conditions. The second condition appears to be an advance in industrialization which will be controlled as to structure and the resulting import commitments. The structural condition which may indeed matter most for the longer period of economic growth, is an advance into basic and intermediate manufactures to broaden the basis of indigenous inputs into existing manufacturing capacity. In the absence of controls, this demands a particular set of market incentives to producers, possibly in combination with government investments and a restriction of consumption demands out of rising incomes. This last point forms part of the third condition, that demand must be managed so as to allow resources to be available for the major production programmes, including exports, and to keep imports within tolerable limits which the plan targets may in any case have somewhat overestimated. Extraordinary difficulties beset tax policy and planning in the Philippines. So long as they persist, the fulfilment of what seem to be basic conditions of moderate growth in incomes per head (6 per cent growth in GNP being reduced by population growth rates to less than 3 per cent per head) would appear far less certain than implied by a mere consideration of the economy's resources.

The Philippines was one of the first developing countries to draw up a plan. Since independence it has published six comprehensive five-year plans, a three-year plan, a four-year plan, a succession of annually updated five-year and four-year fiscal plans, as well as the Bell Mission report and specialized electric power and agricultural development plans.[84] None of these plans has had any profound bearing on economic policy, and all of them, including the present four-year programme, have failed to pass Congress.

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[82] Cf. the views in "Joint Legislative-Executive Tax Commission, Report of the Chairman", 1966.

[83] *Four Year Economic Programme for the Philippines*, 1967-1970, Manila, 1966.

One of the main obstacles to planning is the fact that the National Economic Council, which drafts the plan, lacks implementing authority. This body, in fact, has been largely ignored by the various ministries, bureaux and public corporations. Most remarkable has been the absence of co-ordination between the Council and the budget commission which has drawn up its own four or five year fiscal programme, including capital development programmes, without any discernible reference to the plan.

Plan execution was to have been the function of the Program Implementation Agency (PIA) which was set up at the time of the five year socio-economic development plan for 1962-1967. PIA also was intended to serve as a clearing house for private projects in the national plans. Following criticisms of the current four year plan by IBRD which leaked to the press, the plan was revised with the help of the Presidential Economic Staff (PES), the new name of PIA. Lacking power to allocate funds or to reverse decisions made in ministries, PES has been relegated to the position of a pure research body.

Economic policy has been shaped by the combination of a significant degree of export dependence, strong emphasis on free private enterprise and severe restrictions on the Government's powers to intervene in the economy which are most directly reflected in parliamentary frustration of practically all new tax measures. In these circumstances, the main policy contribution to the impressive rate of economic growth throughout the 1950s took the form of foreign exchange policy. Exchange control was instituted in 1949 to correct the external disequilibrium. It became a tool to foster industrialization in the consumer goods sector and was simultaneously used to strengthen the Philippine element in the economy by granting import and scarce foreign exchange allocations to privileged Filipino groups.

Between the fiscal years 1951 and 1962, GNP grew at an annual rate of 6.5 per cent. Manufacturing contributed substantially to this rate of growth. Starting from a low base, it grew at an annual rate of 9.1 per cent while agriculture grew at a rate of 5 per cent, lower than that of total income.[85] At the end of the decade, agricultural yields stagnated or decreased, in part because of diminishing returns. The growth of exports slowed down as the internal terms of trade were moved against export production by the overvalued exchange rate. The recorded performance of exports exaggerates this stagnation because trade was increasingly carried on outside the legal framework. But to the extent that this evasion of controls was for the purpose of capital exports, resources were removed from use in the economy.

Industrial development was mainly promoted through a general exchange overvaluation. Importers who were lucky enough to obtain an import licence were receiving a windfall profit. This arose from the discrepancy between the official rate and the free market exchange rate, the latter having depreciated owing to the fact that the quantity of foreign exchange demanded at the official rate far exceeded supply and that consequently imports of goods and services had to be drastically curtailed to reduce exchange allocations to the available exchange fund. This system proved a powerful device in accelerating Philippinization of the economy—importing was rapidly transferred to the hands of the Filipinos as was manufacturing which operated under heavily protected conditions. Exports, which recovered remarkably fast from the effects of the Japanese occupation together with the large expenditures of the United States Government bolstered the foreign exchanges. After an interruption of imports in 1957, an election year, it became difficult to maintain the external balance, and the flight of capital gathered speed.

The period after 1958 was therefore marked by an under-utilization of capacity in the industrial plants which had largely been created by the impact of unsystematic protection. The policy of import substitution has been the target of much criticism. A highly unequal distribution of incomes fostered luxury industries. In addition, licensing policy aided marginally by tariff protection led to the establishment of import-dependent assembly industries. The criticisms may not apply to more than a section of the actual manufacturing developments of the time. They have, besides, been understood as directed against policies of "import substitution" as such though in fact they describe a process of unsystematic, that is totally planless, promotion of industry by the normally inadequate tools of import licensing and commercial policy (the latter playing a very minor role because of the provisions of the Laurel Langley Agreement).

The gradual reform of the exchange system ended the process which nevertheless points to persisting weaknesses in the structure of economic policy instruments in the Philippines.

4. *Fiscal and monetary policies*

Fiscal policies have not been successful in developing the infrastructure required to promote private investment. The fear of economic stability has normally prevented the Government from circumventing the taxation stalemate by deficit financing to develop infrastructural projects. After decontrol, fiscal and monetary policies were assigned a larger role in the development process, but Congress still failed to impose the taxes necessary to finance enlarged public participation.

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[84] A summary of the fifteen most important plans is given in Constancio Ancheta, "Economic Planning in the Philippines", *The Philippine Economic Bulletin*, vol. V, No. 4, 1967.

[85] Revised growth rates supplied by Office of Statistical Co-ordination and Standards, National Economic Council.

Fiscal policies in 1966, the year after the completion of staggered devaluation, consisted in developing the domestic treasury bills market and reorganizing the customs and revenue collecting system. Government deficit financing was rather small till 1967. Budgetary deficits were financed, on an *ad hoc* basis, by extraordinary foreign exchange receipts. The budget was balanced during 1951-1954. Even since that period, the cumulative deficit has been quite small.

Since 1959, no new tax measures have passed Congress. In spite of this, the Government has successfully increased revenues through improved collections and the settlement of arrears. Revenues increased by more than 50 per cent during 1960/61-1963/64. The rapid increases in current expenditures, however, almost entirely absorbed the rise in revenues. While the long overdue rise in salaries was one of the items accounting for the rise in expenditures, other items, intended as a cushion against devaluation, became quite large, such as food subsidies and transfers to various corporations to meet their losses. Capital expenditures, on the other hand, rose only slightly between 1960/61 and 1963/64 and the development of infrastructure, such as roads, irrigation and flood control, lagged behind.

Between 1963/64 and 1965/66 current revenues were stagnant. In 1966/67, national government revenues increased by about 25 per cent, the main cause being a far more vigorous collection of import duties which increased by 37 per cent. Because of the stagnation in current revenues, the years 1963/64 and 1965/66 saw also a stagnation of public expenditures. The implementation of essential development programmes would have been blocked had the Government not engaged in bolder deficit financing.

During the fiscal years 1966/67 and 1967/68 the public expenditure programme fell far short of the targets in the four year plan. For the two years together, actual cash releases were about 65 per cent of the revised plan targets. Power and irrigation were the main areas of deficiency.

In January 1968, the most important package of tax reforms since the early 1950s was submitted to Congress. It consisted of proposals to increase corporation income tax, individual income tax and other taxes. Further proposals were tied to specific funds, i.e. a tax on all exports of unworked logs and molasses was to finance a manpower development fund while a proposed tax on idle lands was earmarked for the low-cost housing fund. Altogether, the new tax proposals were designed to bring in approximately P1,066 million. Congressional opposition has led the Government to withdraw most of the major proposals.

Because of the difficulty in passing tax measures, the Government was engaged in deficit-financing 1967 and 1968. Simultaneously, restrictive monetary policies were adopted to balance the effects of deficit-financing on the economy. Since the decontrol in 1962, monetary policy has increasingly been used to achieve internal financial stability and to allocate credits.

Owing to the failure of tax measures, the Central Bank's policies in 1967 and 1968 were designed to counter the expansionary effect of deficit-financing. In November 1967, and again in 1968, several restrictive measures were introduced to stem the rush of imports which occurred in 1967 and again in the first half of 1968. These measures included a raising of the rediscount rate and an increase in reserve requirements. The impact on imports, however, has been negligible, partly because of the continued and large public-spending programme financed by foreign aid receipts—1969 being an election year.

B. THE IMPLICATIONS OF ECONOMIC CONTROLS AND OF LIBERALIZATION

Chapter I

Introduction

The evolution of the techniques and the directions of economic development in Asian countries and the evolution of their systems of economic controls have during the past ten years vied with each other for the most prominent place in policy discussion. In principle, the two sets of policies should be integrated in some sort of hierarchic order of objectives, strategies and instruments. In practice, this integration is one of the most difficult feats to achieve by economic decision and administration. The difficulty has many well-known causes. Information about the behaviour of the economy is at a low level everywhere and can improve only slowly with the acquisition of new techniques of analysis and an increase in qualified personnel. Development policy deals with a very large number of obstinately unknown factors and attempts to implement it tend to bring into the open sharp conflicts of interest. External assistance is, by definition, a factor external to the economy. Short run problems of economic management must be solved in the immediate present and typically pre-empt the services of such economic controls as exist, or lead to the establishment of new ones. The frequent inconsistencies between development policies and economic controls are in fact the most concrete instances of inconsistency between long run objectives and short-run policies, between two sets of objectives, two sets of routines and often two different sets of people in different branches of the administration. The mutual adaptation of the two kinds of policies requires a continuous struggle with hard realities, and success in this field appears to depend as much on the skilful and diplomatic work of individual civil servants and ministers as on well thought out schemes. The harmonization of policy being thus very imperfect, it is only to be expected that changes in development policy or in the system of economic controls occur separately and in spurts which force one or the other aspect of policy into the foreground.

This is also true of the trends towards the liberalization of direct controls — quantitative controls on imports or investment, controls on the distribution of factors or commodities and price controls—which have become marked in several developing Asian countries during the past ten years. The degree of correspondence between such policy changes and general development policy has differed greatly between countries. The differences are related to the state and maturity of development policy and the immediate cause of the changes in the control system. If the cause was an unforeseen crisis in the external accounts then, in the absence of elaborate policy strategies such as even few developed countries have worked out, let alone been able to apply, not much consistency with long-run objectives could be expected. In other cases the control systems have been changep deliberately, because of dissatisfaction with their performance and on the basis of considerations which had to take at least formal account of long-run policies and objectives.

The latter instances are of particular interest and practical importance. While the grounds for dissatisfaction were often real, the reasons assigned for them and the lessons drawn were occasionally open to much doubt. The actual changes of policy that followed were sometimes abrupt and rarely convincing as regards their relationship to the major objectives of economic policy. If it seemed at times as though the tail was wagging the dog and objectives were abandoned or reclassified because of dissatisfaction with the operation of certain instruments of policy, this may have been deceptive. In some cases it seems that the dissatisfaction with the instruments of policy was only acted on after changes of direction in the principles of long-run policy had become accepted. In other instances not enough is known of the true development policy to do more than judge its evolution by the symptoms, namely by the instruments of policy. It nevertheless remains true that the process of reforming or abandoning economic controls is frequently marked by an ascendancy of sentiment over logic, and generally by a return to highly traditional thinking on matters of economic policy which has little relevance to the long-term development problems of most Asian developing countries.

It thus seems useful to analyse, however tentatively, the relation between objectives and strategies of development and the instruments of policy. Ideally, such a study should be able to convey practical experience, to point to inconsistencies and thus aid rationality, and also to qualify the meaning of long-run policy statements and plans by an analysis of their understructure of concrete policies. The latter purpose is important wherever plans have been drawn up and published. The meaning of plan documents is frequently obscure in the sense that it is not easy to say whether they present the views of one of several groups of persons without any binding influence on policy; whether they reflect the views held at a particular point of time by an influential group of policy makers who can be relied upon to exert their influence continuously and to meet changing circumstances in ways broadly in line with their revealed views; or whether the plan is accepted as a guide to detailed action throughout the administration of the country. The institutions and practice of economic controls provide evidence on the effectiveness and reliability of long-term development policy where little other evidence is available.

The scope and functions of economic controls differ according to the economic regime and the general state of development of countries. Studies of economic controls in the abstract are bound to be lacking in substance. The working of economic controls has to be examined in concrete instances, if the results are to be informative within the specific setting of economic policies, development objectives and economic circumstances in which they were evolved.

The present study therefore concentrates on the experience of particular countries. The countries are India and Pakistan, whose experience is treated separately rather than comparatively. The reasons for separate treatment have already been suggested, namely that less is to be learned from comparisons involving countries with different objectives, different resources, and possibly at different stages of sectoral development than from an analysis of their economic policies within each country's own setting. Since the object is to point lessons, comparison is not of course wholly avoidable. The choice of these two countries itself involves a comparison. They represent within developing Asia a type of relatively planned and plan-conscious development policy, not necessarily unique but certainly of longer standing than elsewhere. To that extent analysis is made easier and, possibly, more urgent; both countries work to elaborate and analytically well founded plans of development and their administration and public accept many of the principles and requirements of long-run development policy. Both are mixed economies which means, in terms of developing Asia, that they possess relatively large and economically diversified public sectors. Both seek to plan the development of the entire economy and both have a long and chequered experience of the use of economic controls of the direct type.

A technical reason for beginning the analysis of the relation between economic objectives and policies in developing Asian countries by studying India and Pakistan is the good state of information. This extends to long run development plans and projects and to the statutory details and administrative practice of their economic controls. In India, especially, the level and quantity of information, reporting, inquiry and public discussion are enviably high. The frequency and high quality of inquiries into the working of economic policy — steel control, monopolies, industrial licensing, import controls, tariffs, income distribution and the range of reports of the Administrative Reforms Committee, to name a few — bring a wealth of analysed experience to policy makers in many countries. The state of information and analysis in Pakistan is also good, though less developed than in India, and it appears that much excellent work, prepared, for instance, in the Planning Commission, remains unpublished, possibly because of the pressure of other business.

The existence of information and published inquiry is not just an aid to research. It is primarily an important aid in the formation of rational policy and its implementation, and seems particularly essential where direct administrative economic controls are in use. While there may be some truth in the view that Commissions of inquiry can occasionally be inexpensive means of shelving problems, the habit of inquiry and publication is bound to improve the information basis of policy by providing a check on the effects of policies. The two case studies differ in coverage and approach. The study of the implications of control and decontrol in India starts from a number of known objectives of Indian economic policy and considers the effects which a variety of controls and measures of decontrol may have had on the attainment of these objectives. The study of Pakistan's experience selects two types of control — on trade and on investment — and examines their effect on several known objectives of its development policy and on the development of its economy.

These differences are partly necessitated by the amount of available information. Chiefly they reflect a difference between what seem to be the important questions to be asked at this time about policy in the two countries.

In India, the trend towards liberalization began in the present decade while the objectives and principles of planned development have continued more or less unchanged except perhaps in the last two years. Official statements, such as those of the Planning Commission and the Minister of Finance, indicate that the trend of liberalization is to continue. It is therefore necessary to examine the arguments by which individual measures of decontrol were justified, to seek the effect of changes in the system of control on development objectives and to hazard conclusions about the minimum stock of controls necessary for continued long-term planning and the attainment of widely accepted social objectives.

In Pakistan, liberalization of a great variety of controls began late in the 1950s and has often been considered one of the main explanations for the successful performance of Pakistan's economy in the following years. Liberalization practically coincided with relatively rapid general growth in Pakistan, but not in India. The possible link between liberalization and growth is therefore of much interest. This interest is heightened by recent measures in Pakistan which imply a return to more direct control, and by the possibility that external assistance will decline to lower levels than those which marked the years of rapid advance earlier in the 1960s.

India and Pakistan have adopted rather different economic regimes. Since the beginning of its planning, Pakistan has always strongly adhered to the doctrine of development through private enterprise. The movement towards decontrol, since about 1959, is thus more easily understandable than the high level and great variety of direct controls in the earlier years.

Direct controls on prices, distribution and procurement of important consumption goods were a legacy of the Second World War. These policies, adopted as emergency measures during the War, were retained and extensively resorted to during the 1950s. Most important of these commodities were rice and wheat, the most heavily weighted items of expenditure in the budgets of the low income groups. For these commodities a system of zoning was applied, compulsory procurement was undertaken in the surplus areas at a price lower than the ruling market price, prices were controlled and distribution was made through ration shops in the selected (usually urban) areas. There have also been other consumption goods on which detailed physical controls were applied. Sugar is prominent among them. For sugar, controls have often been as rigid and extensive as for rice and wheat. Price control was applied also to consumption goods such as edible oils of various kinds and tea.

A different variety of controls was applied to cash crops such as jute and cotton. Acreage regulation remained the most important feature of jute production control policy until the early 1960s. Controls were applied to cotton to regulate the production of different varieties on a regional basis in order to reduce the mixing of different staple varieties.

The most important and extensive sets of direct physical controls affected foreign trade. Very early in the 1950s, after the end of the Korean War boom, there appeared a huge excess demand for imports at the official rate of exchange. Rather than resorting to devaluation, the Government decided to keep the demand for imports within realistic limits by the strict licensing of all kinds of imports, while at the same time requiring all exporters to surrender all foreign exchange earnings at the official rate of exchange.

Extensive direct controls have also been exercised on private investment, first by having tight control over the imports of the investment goods (imports being the only means of acquiring such goods in the absence of any significant domestic production) and then by subjecting all applications for investment in large-scale industries to examination by a Capital Issue Committee. From time to time the distribution of key inputs into manufacturing—e.g. steel and cement —has also been subject to direct government control. One estimate suggests that in setting up a manufacturing industry during the 1950s it was necessary to obtain as many as eighty different sanctions from various government agencies.[1]

During a brief period an attempt was also made to control the rate of profit in the private sector. Immediately after the imposition of martial law in October 1958 the profit margin was fixed at 6.25 per cent of capital employed.

How does one reconcile the adoption of these widespread direct controls on the operation of the free market and private enterprise with the declared objective of the Government to follow the strategy of development through private enterprise? Although the *incremental* share of the public sector in the nation's capital formation has been large, the operation of the public sector has on the whole been non-competitive with the private sector. In the area of manufacturing industries the Government has not declared any field a public-sector monopoly (unlike in India). It has operated only in those fields in which the private sector was reluctant to enter because either the risks and uncertainties wer etoo great or the amount of resources required was too large. Even in the case of these publicly initiated enterprises, the policy of the publicly owned Industrial Development Corporations has been to transfer ownership to the private sector once the enterprise had been developed.

Thus on the one hand the Government was committed to the free and fullest possible growth of private enterprise, and on the other it formulated a great many physical controls to regulate the operation of the private sector. It has frequently been suggested that was a contradiction, and that the physical controls were motivated by the Government's desire to promote social justice, which the market mechanism is not supposed to do.[2] An alternative view is to regard many of these controls as an integral part of a general strategy of promoting industrialization through a kind of private (though perhaps not "free") enterprise during the early years of independence.

At the time of partition there was no significant industrial activity in Pakistan. There were very few industrial entrepreneurs and the resources at their disposal were too small. Most of the exports were agricultural goods. In the absence of a significant taxation base, with an inelastic supply of foreign capital and a dislike for inflationary finance, it was natural for the Government to seek a mechanism to redistribute income in favour of the industrial entrepreneurs. The strategy of fixing an overvalued rate of exchange for the rupee was an effective method of attaining this objective. Domestic currency was kept overvalued and all exporters (who predominantly sold agricultural goods) were required to surrender foreign exchange earnings at the official rate of exchange. This clearly constituted a tax on the agricutural sector of the economy. At the official rate of exchange there existed a large unsatisfied demand for imports. Thus a strict rationing of the entitlement to import through licensing had to be made. The overvalued rate of exchange and the consequent unsatisfied demand for imports naturally meant domestic prices for imports substantially above international prices. This price differential was not absorbed by the Government through license fees or import surcharges, but was allowed to be converted into monopoly profit for the license holder, and served as a major source of investible funds in the private sector. The excess demand generated by the strict quantitative control of imports further opened up high profit opportunities for investors in import substituting industries. The phenomenal growth of the manufacturing industry in Pakistan during the 1950s was a direct result of this strategy. It is doubtful if a "simpler" mechanism could have been invented *under*

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[1] Mahbub ul Haq, "Rationale of Government Controls and Policies in Pakistan", *Pakistan Economic Journal*, March 1963.

[2] See, for example, Mahbub ul Haq, *op. cit*.

the prevailing conditions to generate such a high rate of industrial investment.[3]

At the end of the 1960s, the functions that controls can fulfil and may have to fulfil in Pakistan are quite different. The growth of industry and its dependence on imported machines and materials and the poorer prospects for external assistance raise problems of the allocation of investment and of the balance of payments which may need direct controls for their solution.

Generally, the effects of direct controls and of decontrol on the allocation of resources in the longer run and on the management of the economy in the short run depend on the effectiveness of alternative policies. Decontrol necessarily shifts the emphasis of economic policy to price-reliant or indirect controls such as taxation, budgetary measures and credit policy. Whether such instruments are as suitable for directing resources according to long range objectives as are direct controls is not just a question of principle but also of what is feasible in practice. What is feasible changes with time and can be made to change by deliberate efforts. But any given state of administrative skill and private responsiveness imposes some sort of limit on what can be attempted by way of either direct or indirect control. The price mechanism, the fiscal apparatus and systems of direct control are each capable of being overstrained.

In the short run, it seems plausible that indirect controls have a less certain effect on the balance of external payments or of domestic supplies and demands than direct controls, unless they are applied with such intensity as to have undesirable side-effects on domestic demand and output. Increasing reliance on indirect controls and on the price mechanism may then demand restraint in the pace at which resources are raised for development or transferred to development purposes, and thus restraint on the pace at which investment can proceed and on its composition.

The case against direct controls is based on their ineffectiveness and on their effect on the efficiency of production. To answer the question what is the minimum of direct controls required by development one needs to consider in some balance the effects of alternative policies on the amount and the composition of resources, the requirements of economic management and the efficiency of production. What that balance should be is almost impossible to say in the abstract. Quantitatively precise answers to the subsidiary question of the relation between direct controls and the various objectives are also beyond the scope of the present study which merely seeks to assemble some of the elements for the answers required by applying simple tools of economic reasoning to the facts observed in two economies.

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[3] For a detailed analysis of the strategy and its effects see Gustav Papanek, *Pakistan's Development: Social Goals and Private Incentives*, Harvard University Press. 1967 and A.H.M.N. Chowdhury, *Direct Controls on Foreign Trade and the Strategy of Economic Development in Pakistan*, Stanford Ph. D. Thesis (unpulished), 1968.

Chapter II

Control and Liberalization in India

The present chapter attempts an analysis of the impact of the system of economic control in India and of its liberalization on serveral economic variables: the pattern of investment, the efficiency of production, the generation of larger exportable surpluses, the mobilization of savings, the pattern of income distribution and the correction of various short run imbalances between supply and demand in various sectors of the economy. The discussion is confined to the industrial sector of the economy. The impact of the controls on agricultural commodities requires separate treatment. The major instruments of policy which form the system of Indian economic controls, defining each by the area of its immediate impact, include

industrial licensing;

control on capital issues and foreign collaboration;

trade controls - including quantitative restrictions and licensing of imports, import-export taxes and subsidies, and exchange rate adjustments;

credit controls;

fiscal instruments impinging on industrial profits and prices of inputs and outputs;

price and distributional controls on inputs and outputs.

Industrial licensing and trade controls are the two parts of this network to which this study refers most frequently. It may therefore be convenient to start by presenting a schematic account of these controls and their evolution.

1. *Industrial licensing and trade controls: outline and evolution*

A. *Industrial licensing*

1. *Coverage.* The Industrial Policy Resolution of 1956 and The Industries (Development and Regulation) Act of 1951 laid down the basic principles of industrial policy in India. The Resolution of 1956 demarcated the spheres in which industries were (a) to be solely developed by the state (b) to be progressively state-owned but private enterprise was expected to supplement state efforts and (c) to be left solely for private enterprise to exploit.

All industries open to private enterprise were required to be licensed under the Act of 1951, if they were to be undertaken by private enterprise. Licensing was necessary for (i) setting up a new unit, (ii) substantial expansion of an existing unit, (iii) changing the product mix of an existing unit.

2. *Objectives.* The objectives to be achieved by licensing were:

to enforce the planned investment pattern,

to counteract trends towards monopoly and the concentration of wealth,

to maintain regional balance in locating industries,

to protect the interests of small-scale producers and encourage the entry of new entrepreneurs,

to foster improvement in industry by ensuring optimum scale of plants and the adoption of advanced technology.

3. *Procedure.* An application for an industrial licence was first scrutinized by various official agencies, which made comments on points such as foreign exchange requirements for capital goods and maintenance purposes, foreign collaboration envisaged, connexions with large business groups, proposed capital structure and sources of finance, technical feasibility of the project as assessed by the Director General of Technical Development (DGTD) and other technical authorities and impact on the small-scale sector (as assessed by the Development Commissioner of Small Scale Industries).

In cases where it was merely necessary to regularize the manufacturing activities of existing industrial undertakings or where a mere change of location was proposed or where new articles were to be produced without additional machinery or imported raw materials, the final decisions to grant a licence were taken by the administrative department concerned.

All other applications which were recommended by the departments, with their comments, were placed before a Licensing Committee consisting of officials from the Ministry of Industry, the Planning Commission, and the state governments. (Recently the state representatives have met only every two to three months, whereas a smaller sub-committee of the full Licensing Committee meets once a fortnight).

Applications not recommended by the administrative departments were placed before a Rejection Committee (composed similarly to the Licensing Committee). The recommendations of the Licensing Committee and the Rejection Committee were then placed for final approval before the Minister of industry.

At the end of the process, the entrepreneur got either a licence, a rejection letter, or (more recently) a letter of intent. This is the first stage in setting up or expanding an industry.

The letter of intent, which is a recent innovation, provides an official commitment to issue an industrial licence if certain conditions are fulfilled. These conditions are specified by the Licensing Committee for each individual case. On the expiry of its specified period, the letter of intent lapses unless extended "for good and sufficient reasons".[1]

To ease the work of the Licensing Committee, every six months a committee of officials reviews industrial policy and draws up three lists: a banned list of industries in which adequate capacity has already been licensed, and where applications for licences are rejected without reference to the Licensing Committee,[2] a merit list, where applications are considered on merit, and a residual relatively free list.

Before changes were made in the above procedure in 1964, the average disposal time for applications was 165 days.

The main procedural change initiated by the Swaminathan Committee (1964) was a further division of industries into 'key' and 'non-key' industries. It was recommended that for 'key' industries licensing applications should be dealt with expeditiously. After the issue of the letter of intent, the entrepreneur's applications for foreign exchange, capital issue and foreign collaboration should be dealt with simultaneously. This latter method according to the reconvened Swaminathan Committee, had not worked and is thus no longer an important part of the procedure.

The new procedure initiated after the first Swaminathan Committee's report (1964) did not substantially reduce the average time for disposing of an application. It brought it down from 165 to 131 days.

4. *Recent changes in the coverage of licensing.* In February 1960, all scheduled industries employing less than 100 workers and with fixed assets of less than Rs 1 million were exempted from licensing, except for coal, lignite and coke.

In January 1964 enterprises with fixed assets not exceeding Rs 2,500,000 were delicensed, except for some industries in which small scale interests needed protection viz. coal, power loom, roller flour milling, oil seed crushing, vanaspati, leather and matches.

Massive delicensing began in 1966. In May 1966, 'priority' industries (table 1-B-1, List A) were exempted from licensing irrespective of the investment involved, to encourage the speedy establishment of capacity. In July 1966, two more industries were exmepted. In November 1966, twenty-nine more industries were exempted (table 1-B-1, List B). In February 1968, agricultural tractors and power fillers were exempted.

The main considerations in delicensing an industry were shortfalls of the planned relative to the realized capacities, the absence of a substantial import component and the export potential of industries.

5. *Diversification of product mix.* In November 1966, licensing of changes in the product mix of existing enterprises was relaxed in a variety of ways.

(a) Industrial enterprises were allowed to manufacture "new articles" without any licence provided no additional plant and machinery was installed except minor balancing equipment which was available indigenously, and no additional foreign exchange expenditure was involved. The relaxation excluded seventy-one specified industries, as a protection for small scale enterprises.

Table 1-B-1. Industries Delicensed in India, 1966-1968

	List A
May 1966	Iron and steel castings and forgings
	Electric motors (not exceeding 10 h.p.)
	Pulp
	Power alcohol
	Solvent extracted oils
	Glue and gelatine
	Sheet and plate glass
	Optical glass
	Fire bricks
	Portland cement
	Plywood
July 1966	Paper and newsprint
	Hand tools
	List B
November 1966	Cast iron spun pipes
	Steel ingots/billets by electric furnace
	Non vehicular internal combustion engines below 50 h.p. (both diesel and petrol)
	Electric motors up to 50 h.p.
	Electric furnaces without import of switchgear and transformer
	Bicycles and components
	Tea machinery
	Power driven pumps
	Agricultural sprayers (except manual) conventional and knapsack type with indigenous engines
	Air and gas compressors up to 6 c.m.c.
	Fire fighting equipment
	Coated abrasives
	Sewing machines and components
	Weighing machines

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[1] These letters of intent were given formal recognition only in 1964 by the Swaminathan Committee on licensing procedure.

[2] The list is worked out on the basis of recommendations received from the DGTD, Planning Commission, Council for Scientific and Industrial Research, etc.

	Mathematical, surveying and drawing instruments
	Mixed fertilizers
	Calcium carbonate
	Barium carbonate
	Barium chloride
	Barium nitrate
	Barium sulphate
	Blanc fixe
	Activated bleaching earth
	Activated carbon
	Metallic stearates
	Sodium aluminate
	Paper board/straw board
	Paper for packaging
	Hard board including fibre board, chip board and particle boards
February 1968	Agricultural tractors and power fillers

Source: Government of India, press releases.

(b) Industries could without further licensing increase production of articles for which they had been licensed by diverting to them up to 20 per cent of the licensed capacity (over and above the capacity initially licensed for the article). The conditions were the same as for the manufacture of "new articles". In addition, the extra production must not lead to additional demand for scarce raw materials.

(c) No industrial licences were needed to diversify production by making articles classified for purposes of raw material import licensing (see section B below), "as priority industries" provided that only imports of raw materials will be required for this diversification.

(d) Firms wishing to diversify no more than 25 per cent of total production and which had obtained an import licence for balancing equipment would automatically receive an industrial licence.

6. *Prospective trends*. The Hazari Report on Industrial Licensing[3] (September 1967), the Administrative Reforms Committee's Report on Economic Administration[4] and the "Approach to the Fourth Five Year Plan,"[5] prepared by the Planning Commission (May 1968) have all recommended changes in the licensing procedures.

The Hazari Report argues for a "basic change in the scope and drawing up of industrial programmes in the Planning Commission", and feels that a mere change of procedure will not be sufficient to correct the shortcomings in the existing system. The first of these shortcomings is identified as the failure to channel private investment into priority industries, due to the failure of the plans to demarcate priority industries. The licensing authorities have interpreted their task as licensing enough additional capacity in each industry to match plan targets with a margin of 10-25 per cent to allow for non-utilization of licences. Once 'enough' capacity is licensed the industry is placed on the banned list.

Secondly, the licence itself is only a permit enabling the holder to apply for numerous other sanctions and permissions and does not entail any government commitment of all the necessary resources and facilities. Given the imbalance between the aggregate industrial programme and the availability of scarce resources, a licensed project is often held up at a subsequent stage. As there is no order of priorities to guide different authorities, projects for which scarce inputs (particularly foreign exchange) are delayed or denied are not necessarily the less important ones but may merely be those for which applications were submitted later than others.

This system of chronological selection is an incentive for industrialists to apply for a large number of licences just to be first in various queues, and to pre-empt capacity in the industries concerned. Inevitably this leads to a large number of unutilized licences, and the Government is in no position to ensure speedy utilization as, in its attempt to cover the entire field of large-scale industry, it has to handle thousands of projects without any notion of their relative importance.

The Hazari Report recommends firstly that the plans must distinguish targets which have to be fulfilled and others which are merely indicative. In priority sectors, plans must pre-empt resources, and also suggest broad policies on taxation, credit and prices, to make investment in these industries attractive.

Licensing should be restricted to projects which require an investment of at least Rs 10 million or capital goods imports of at least Rs 2,500,000. 'Substantial expansion' should mean no less than 25 per cent of existing licensed capacity or an investment of Rs 2,500,000, whichever is greater. For 'new articles' the exemption limit should be raised to an investment of Rs 2,500,000. Licensing limited to these categories, would have covered 71 per cent of the investment proposed during January 1964 to June 1966 at the cost of handling only 29 per cent of the corresponding applications.

The licences should only be issued after a feasibility report by recognized consultants, and these reports should be appraised by *ad hoc* committees, one for each group of projects, including in them representatives of term financing institutions and approved consultancy firms or technical institutions.

The issue of a licence must assure the entrepreneur of full assistance in obtaining foreign exchange, rupee resources, power, transport and land. The producer for his part must undertake to complete the project within an agreed period and failure to make adequate progress should be penalized by transferring the licences to others.

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[3] Government of India, Planning Commission, Industrial Planning Licensing Policy. Final Report (R.K. Hazari). Delhi, 1967.

[4] Administrative Reforms Committee; *Study Team on Economic Administration*, April, 1967.

[5] Planning Commission, *Approach to the Fourth Five Year Plan*, 1968.

The Government should closely follow the progress of projects after approval, so that it will know the leads and lags in different areas and be in a position to take corrective action or to modify individual targets. If the other recommendations are accepted it will only have to look after about 125-150 projects each year. The free, merit and banned lists should be abolished. For industries not in the priority list and not covered by licensing, the plan targets should be merely indicative, "more for information than government involvement".

The Administrative Reforms Committee's report recommended that the objectives of preventing the concentration of economic power and of regional dispersal should be pursued by price-reliant means, including taxes and subsidies, rather than by industrial licensing. Licensing should intervene only where projects make large claims on external resources or institutional finance. The Committee considered licensing as most suitably confined to a small number of high priority industries, which should be licensed only after inputs have been reserved for them. Other industries which are given priority status and require foreign exchange or other assistance should not be subject to licensing but the allocation of resources to them should be in accordance with a scale of priority. Where no priority status can be claimed and no foreign exchange is required, no licensing should be attempted.

The Approach to the Fourth Five Year Plan (May 1968) suggests principles for future industrial licensing which agree to a large extent with what the Reforms Committee is understood to have recommended.

All basic and strategic industries involving significant investments and foreign exchange should be carefully planned and subjected to industrial licensing. To ensure effective performance, credit, foreign exchange and scarce raw materials should be earmarked for them and made available on time once the licence has been granted, whether they are in the public or the private sector.

Industries requiring only marginal foreign exchange for capital equipment—say, 10 per cent of the total value of the capital equipment—may be exempted from industrial licensing. The release of foreign exchange should continue to be regulated and the import of capital goods screened by the Capital Goods Committee. Licensing may also have to continue for industries with a high maintenance import component.

Industries which do not need foreign exchange for capital equipment or raw materials should be exempted from industrial licensing. In these industries, private enterprise should be free to operate in accordance with market requirements. "However in order to protect traditional and small-scale industries from undue competition within the greater freedom envisaged to the private sector, the existing reservations ...should continue."

The regional dispersal of industries and the limitation of economic power and monopolies should be left to policies other than licensing—fiscal concessions and differential pricing of utility services in the first case and the attentions of the monopoly commission and credit policy in the latter.

The general impression gained from all three reports is a movement away from detailed enforcement of plan targets for the private sector through industrial licensing. Where licensing will remain, it will merely be an adjunct to the continuing use of import licensing and controls on credit for controlling investments which use foreign exchange directly. In all other spheres market forces modified by governmental fiscal and credit policies should henceforth determine private investment.[6]

B. *Trade controls*

Taxes and subsidies on imports and exports, quantitative restrictions and licensing of imports, and exchange rate adjustments have all been used in India as means of controlling international trade. The general objectives for which these measures have been used can be summarized as the protection of domestic industry; the maintenance of balance of payments 'equilibrium' in the short run and the promotion of export surpluses over the long run so that balance of payments equilibrium can be maintained independently of inflows of foreign capital, and control of the pattern of investment and of current production in line with planned targets.

1. *The pre-devaluation period*

Tariffs

Till 1947, international trade was controlled for mainly protective reasons, and the instrument used was the tariff. The policy was laid down in the report of the Ibrahim-Rahimtulla Commission of 1921, and was one of discriminating protection. It was essentially based on the infant industry argument.

In the period between the two world wars *ad hoc* tariff boards examined requests for protection, whilst from 1945 to 1951 this work was done by an interim tariff board. In 1952, a permanent tariff commission was appointed on the recommendation of the V.T. Krishwamachari Second Fiscal Commission (1949). The principles on which tariff protection were to be granted in the new planned era distinguished between industries in the planned sector and those ouside it. Defence industries in either sector and basic or key industries in the planned sector were also distinguished from other industries in either sector. Defence industries were to be protected regardless of cost. Basic or key industries would be given protection on conditions and under supervision, while the remainder might be given protection on more traditional infant-industry criteria, that is with regard to the immediate cost and the likelihood of protection becoming unnecessary within a reasonable time.

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[6] This general impression of future trends is confirmed by *The Approach to the Fourth Five Year Plan*, Chapter III.

Till the foreign exchance crisis of 1956/57, protective duties granted to the Tariff Commission were treated as an important instrument for fostering the growth of domestic industries. This reliance on tariffs changed gradually (and from 1957 completely) as quantitative import restrictions were introduced for managing the continuing balance of payments crisis, and with the introduction of industrial licensing and other direct controls on investment. Tariffs imposed from 1957 onwards have, on the whole, been redundant as a protective device, and should be looked on more as revenue tariffs, or tariffs imposed for balance of payments reasons.

Quantitative restrictions on imports

Quantitative restrictions on foreign trade began with the Imports and Exports (Control) Act 1947, but only came into their own after the foreign exchange crisis of 1956/57. The main features of this administrative control of imports (as in June 1966) were, firstly, the import policy, which was announced biannually in the "Red Book", after consultation with importers and exporters. The period of validity of licences to be issued was also announced at the time.

Import licences were principally issued by the Chief Controller of Imports and Exports who licensed all private and a part of government imports except for iron and steel imports (licensed by the Iron and Steel Controller) and certain types of machine tools (licensed by the Ministry of Commerce and Industry). The Chief Controller issued licences which differed according to the importer and the commodities: Established Importers were defined precisely in terms of a base period and of specific commodities. Quotas were granted as a percentage of the actual imports of the established importer in some base period. Actual User licences, granted to actual users requiring imported inputs, were also broken down into various categories, e.g. different licences existed for new products, for small scale industries, for consumer co-operative societies or for export promotion schemes.

There were also New Comers licences and *Ad Hoc* licences covering such item as the State Trading Corporation's imports; Capital Goods licences for imports of plant and machinery exceeding the value of Rs 100,000; Heavy Electrical Plant licences if the value of the project exceeded Rs 25,000 (f.o.b.); Miscellaneous licences for imports by the Director General of Supplies and Disposals, Railway contracts, and Blanket licences (mainly for machinery, petroleum, oil and lubricants).

Consumer goods imports came in mainly under Established Importer licences, and their share has been falling. (Table 1-B-2). Raw materials imports came under the remaining Established Importer, Actual User and Miscellaneous licences, and capital goods under Capital Goods, Heavy Electrical Plant and DO[7] licences. The share of both raw materials and capital goods has been rising.

The open general licences which were in use till 1956 were not renewed until recently.[8] In the first half of 1957 import quotas for 509 items were cut down and the system of actual user licences was significantly expanded. Foreign exhange allocations to established importers were severely restricted and import allocations were subjected to strict administrative scrutiny. Since then, imports have, on the whole, been confined to such items or such quantities as could not be manufactured indigenously. For consumer goods the policy has been one of banning their imports or subjecting them to heavy import duties. In February 1965 the import list was further restricted and a regulatory duty of 10 per cent was imposed on all imports. In August 1965, the average rate of duty per unit of import was raised to about 55 per cent of the landed cost of imports, the rate structure being simultaneously rationalized.

Licences not only specified the quantities and commodities to be imported but also the source, so as to absorb tied aid. With the increased burden of debt servicing, the ratio of free foreign exchange to tied credits has been worsening, making it necessary to balance needs and availability ever more finely through administrative action.

Table 1-B-2. Position of established importers, actual users and others in total import licensing

(Value in Rs millions)

Category	Jan-Dec 1951 (1)	Oct 1959 Sep 1960 (2)	(1) % of total	(2) % of total
Established importers	6,720	970	61	11
Actual users	2,510	4,880	23	56
Capital goods, heavy electrical plant	710	1,820	6	2
Railway Contracts/DGSD	160	120	1	1
Foreign Aid other than Capital Goods or Heavy Electrical Plant	-	500	-	6
Export promotion schemes	-	190	-	2
Others	890	330	9	4
Total	10,990	8,810	100	100

Source: (1) J. Bhagwati: *Indian Balance of Payments Policy.*, Oxford Economic Papers, 1962;
(2) Government of India, *Report of the Import and Export Policy Committee*, 1962.

The licensing authorities allocated maintenance imports mainly on the criteria of historical shares and registered capacity. The tendency was thus to maintain the relative shares of different sectors and to treat the granting of an industrial licence as establishing a claim to maintenance imports in proportion to the licensed capacity. For a large part of the industrial sector the availability of current maintenance imports determines the level of current production. The import licensing procedure in fact determines the output of particular sectors, industries and units. The net result of the criteria of 'historical' shares and 'installed' capacity used in administrative allocation is to freeze the relative outputs and market shares of industries and firms.

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[7] Development Officer, Tools, Development Wing of the Ministry of Commerce and Industries.

[8] Except for some special imports from Pakistan.

For capital goods, since the foreign exchange crisis of 1957, licences have been issued after clearance by an inter-departmental Capital Goods and Heavy Electrical Projects Committee. The purpose of the Committee is to distribute foreign exchange so as to achieve the best results in terms of industrialization consistent with the directions of the plan. An *ad hoc* committee for the import of capital goods deals with applications for smaller imports and is thus concerned with requests for replacements, balancing equipment, modernization and development needs and with small-scale industries.

One of the important tasks of the capital goods committee is to persuade producers to use less attractive sources of credit, and thus try and bring the supply and demand for different categories of tied credits into balance.

The Administrative Reforms Committee is understood to have formed the view that the capital goods committee is insufficiently informed about the stage of projects and thus their ability to use foreign exchange. It is thus unable to maximize the returns on the foreign exchange which it allocates, a waste which seems only partly cured by over-allocations.

Until the foreign exchange crisis of 1956/57, the traditional use of export controls was to ensure domestic supplies by restricting exports. The steady trend towards decontrol was only temporarily reversed by the pressure on supply during the Korean war. Still, even in 1960, commodities such as tea, raw cotton, raw wool, vegetable oilseeds and oils, raw hides and skins, coffee, iron and manganese ores were only allowed to be exported up to quantitative ceilings as prescribed by the export control authorities.

Till 1956/57, when thought was first given to the problem of actively promoting exports, the dominant assumption made was of a completely inelastic demand for Indian exports. The developmental strategy of the second five year plan was based on the assumption of a continuing stagnancy in India's export earnings.

The main instruments for promoting exports, particularly of so-called new manufactured goods, were various import entitlement schemes. By 1963, exporters coming under the schemes were given import licences to the maximum value of twice the import content of their exports or 75 per cent of the export value (sometimes raised to 100 per cent), whichever was lower. These licences were initially non-transferable and specific in terms of commodities. In general most of these schemes were intended to aid the "new manufactures". After 1963, the coverage of further schemes to aid traditional exports was widened so that over half of total export earnings were covered by the policy.

From 1964/65, the hitherto non-transferable import licences were allowed to be transferred to other industries covered by the schemes. The realized premium on these licences was on the average above 70 to 75 per cent, being slightly lower for cotton textiles and very much higher for rayon (nearly 300 per cent).

Various other incentives were progressively given to exporters. They included concessional prices for raw materials for certain exporters (e.g. engineering goods or cashew kernels), freight rebates, drawbacks of excise duty and of customs duties on inputs, and fiscal incentives including a concessional rate of income tax on export revenue (1962/63). In 1965/66, tax credit schemes were introduced under which a large number of traditional export items were given assistance which amounted in practice to a subsidy of 4 to 30 per cent of the f.o.b. value. Special subsidies were given to exporters of sugar and steel. In 1965/66, the National Defence Remittance Scheme was introduced which provided for the conversion of invisible exports into rupees at a rate well below the official par value of Rs 4.76 to $1. The premium on import entitlements, and the effective rate on remittances, implied an effective rate of exchange which varied from Rs 6.5 to Rs 8.0 per $1.

Thus by 1966, almost the whole range of foreign receipts into India (apart from foreign capital transfers) were being converted at varying effective rates of exchange substantially below the official rate. These differentiated and varying subsidies were not, however, developed in line with any general principle such as promoting exports in line with comparative advantage. A simple policy of export maximization was followed, and any producer who was willing to export found a willing Ministry of Commerce and Industry which would grant him an import entitlement to equalize domestic and foreign prices. Moreover, as import entitlements were based on the import content of exports these schemes subsidized import-intensive exports more than exports with high domestic value added. Given also the widespread prevalence of over-invoicing of exports and the divergences between the effective rates of exhange for different exports and imports, it is likely that, in spite of an import entitlement rate of less than 75 per cent of the value of the exports, a number of goods which had an import content were exported with a net loss of foreign exchange.

2. *The post-devaluation period*

Devaluation

By June 1966, the structure of tariffs on imports (an average tariff rate of about 55 per cent), and the subsidization of exports and invisible receipts, implied a considerable *de facto* devaluation, undertaken on the whole in an *ad hoc* and unsystematic fashion. The devaluation of 6 June 1966 was intended by some of its advocates to make this *de facto* devaluation *de jure*. It was announced before the crop results became known and at a time when aid prospects appeared fair.

The par value of the Indian rupee changed from Rs 4.76 to Rs 7.5 to $1, a decline in the external value of the rupee of 36.5 per cent and a rise in the price of foreign exchange in terms of the rupee of 57.5 per cent. Along with this, export duties were placed on the major traditional items (jute manufactures and tea), all the pre-devaluation export promotion schemes were abolished, and import duties were lowered to an average level of about 27.5 per cent.[9]

Import liberalization

Together with the above measures, fifty-nine industries which account for some 80 per cent of output covered by the industrial production index, and for a similar proportion of maintenance imports, were put on a priority list for purposes of maintenance import licensing. They were to be treated on a generous and uniform basis. They were licenced to import their full requirements of maintenance imports and repeat licences when letters of credit for 90 per cent of their initial licences have been opened or when 70 per cent of imports under their initial licence have been shipped. Within the general constraints of tied aid and bilateral agreements, firms have a freer choice of the sources and relative amounts of their imported raw materials and spares. In general, firms may import 25 per cent of their licence value in the form of spares.

To benefit high priority export industries, raw jute, raw cashew nuts, wattle bark, raw hides and skins have been placed on an open general licence with no restrictions on the quantity imported. For non-priority industries, licences are issued on a more generous basis than before devaluation. Scheduled industries are given licences to meet six months requirements on the recommendation of sponsoring authorities. Non-scheduled industries, including small-scale industries sponsored by state Directors of Industries, are given licences for twice the value of licences for raw materials, components and spares issued to them for April 1964 to March 1965, or eight times the value of import licences granted to them for the period April 1965 to March 1966.

The needs of public sector industries for imported raw materials and spares will be met in the same way for private firms, instead of a separate and more favourable system.

Some items have also been deleted from the banned list and a less detailed scrutiny is made of raw material requests from the fifty-nine priority industries to see if the items are available indigenously. Bans on import of final consumer goods are maintained, but industrial producers are allowed to import otherwise banned intermediate and capital goods up to 5 percent of the value of their Actual User licences. There has been some reversal of this policy since April 1967, import requests being again scrutinized item by item to make sure that indigenously available items are not imported.

Import liberalization is thus limited to the maintenance imports of priority industries, and does not apply to consumer goods, machinery imports and government imports (except for public sector firms). Except in the case of the six Open General Licence items, the control system has not been abandoned, but merely loosened.

Export promotion

To aid exports, arrangements have been made for prompt supplies of specified indigenous raw materials manufacturing units in the engineering, chemicals, plastics, processed food and garments industries, under the "green forms" allotment of indigenous raw materials to exporting units. The allotment of "green froms" is related to the requirements of raw materials for export orders already executed or to be implemented.

The requirements of fertilizers and pesticides for major export earners, e.g. tea and coffee, have been placed on a priority basis, and a tea finance quarantee Corporation will provide cheap credit for replanting and new plantation programmes.

In August 1966, cash subsidies were introduced for exports of about 170 manufactured products, or some 8 per cent of total exports.[10] The rates of subsidy are related to the domestic value added in the industries, and the goods are divided into three general categories and subsidized at 10, 15 or 20 per cent.

Furthermore, import entitlements which were abolished with devaluation have been re-introduced, equal to the import content of exports. These entitlements are issued against exports at predetermined percentages set so as to provide an incentive to producers to reduce the import content of their exports.[11]

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[9] P.S. Thomas ("*The 1966 Devaluation and Import Liberalization in India.*" Delhi, 1966, mimeographed) has estimated that the net effect of all the devaluation measures when compared with these in the pre-devaluation period implied an effective import devaluation of about 40-45 per cent and an effective export devaluation of 15-20 per cent. The effective import devaluation, however, was probably much less, especially if account is also taken of the import liberalization measures which followed. Imported materials previously bought on the black market became much cheaper in rupee terms, and generally this happened to the opportunity cost of all such materials, whether imported under actual users licences or not. Mr. Thomas arrives at his average by weighting his sectoral figures by actual imports. But to show what happened to the prices of all tradable goods as a result of the devaluation, weighting by domestic consumption would be more appropriate. For some banned consumer goods, with prices set by domestic supply and demand there might have been little change in rupee prices. Thus the actual average devaluation was probably much lower than Mr. Thomas' estimates of about 34 per cent, arrived at by weighting by total imports and exports in 1965/66 and taking middle values.

[10] Including iron and steel scrap, prime iron and steel, chemicals and allied products, woollen carpets, sports goods and processed foods.

Also since 1967, the main raw material for engineering goods exports—prime iron and steel—has been made available to exporters at international prices under an inter-industry agreement. Arrangements have also been made for selling indigenous plastic raw materials at international prices to exporters of plastic goods, in lieu of import licences.

Prospective trends

The tendency of current views in India, views that are reflected in recent official statements and publications,[12] is to maintain the licensing of capital goods. Together with credit controls, it is suggested as the chief instrument for enforcing the planned pattern of investment. Indigenous availability should continue to be an important criterion in issuing licences. Liberalization of maintenance goods imports is likely to continue, with increasing reliance on the exchange rate and tariffs and a movement away from quantitative restrictions. The policy of a small number of differential rates of export subsidies for the new manufactured goods continues to be favoured.

II. *The pattern of investment*

The detailed targets laid down in the Indian five year plans present a desired pattern of investment. There are two distinct, though related, problems connected with these targets. The first concerns the validity of the process by which the targets are formulated. The second problem, which forms the subject of this study, concerns the suitability of and the need for economic controls to realize the plan: given that the detailed targets do represent the desired pattern of investment, how successful and necessary is the control system in enforcing these targets? The two problems cannot really be fully divorced since the targets may not be feasible and no system of control capable of leading to them. But feasibility will be taken for granted and the choice between alternative feasible sets of targets will not be examined.

The instruments which impinge on this problem are industrial licensing, trade controls, fiscal and monetary controls, and price controls, and they will be considered in turn.

A comparison of planned targets and the actual capacities established in the first three plans presents a mixed picture, with large variations (over and under fulfilment) in planned and realized capacities. In the acids and fertilizers industries, licensed capacity vastly exceeded created capacity while the opposite appears to have been the case in the alkalis and allied chemical industries. In steel castings, forgings and pipes, actual capacity installed (and output) fell significantly short of licences (or targets). In caustic soda and soda ash, the opposite occurred. The estimates in table 1-B-3 suggest a useful sub-division of investment activity into three periods: (i) 1950-1957/58, the last date being that of the first serious foreign exchange crisis; during this period industrial growth was relatively slow; (ii) 1957/58-1962, the last date being that of the second and more persistent foreign exchange crisis; this was a period of rapid industrial investment and production; (iii) 1962-present; during this period industrial investment and production have been stagnant, culminating in a recession from which the economy has not as yet fully recovered.

Table 1-B-3. Industrial investment in India under the first three plans

(millions of rupees)

First Plan (1951/52 to 1955/56)	2,930	Phase I (1951 to 1958)	11,750
Second Plan (1956/57 to 1960/61)	14,700	Phase II (1959 to 1962)	15,700
Third Plan (1961/62 to 1965/66)	24,550	Phase III (1963 to 1965)	14,730
Total	42,180		42,180

Source: The figures are based on information in Government of India, Planning Commission, *Programmes of Industrial Development: 1956-1961*, p. iii and iv, *1961-1966*, p. vii and xi.

1. *Industrial licensing*

Licensing is essentially a negative instrument for channelling investment. It cannot create investment demand but it can restrict excess investment demand from flowing in directions inconsistent with the plan. In this role it has been relatively successful in achieving the desired aim of shifting industrial investment from the traditional to the 'new' heavy industries.[13]

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[11] The export products covered are engineering goods, chemicals and allied products including paper products and plastic products, fish and fish products, leather and leather goods, handicrafts, sports goods, woollen carpets, woollen textiles, cotton textiles, silk fabrics and garments, tobacco and tobacco products, coir products, processed foods, cashew kernels, gems and jewellery and cinematographic films.

[12] Administrative Reforms Committee: *Study Team Report on Economic Administration*, April 1967, pp. 24 and 239-240. Planning Commission, *The Approach to the Fourth Five-Year Plan, 1968*, p. 32. Budget speech of the Deputy Prime Minister and Minister of Finance, 23 May 1967. Tariff Commission Enquiry Committee, *Report*, August 1957, p. 42 ff.

[13] "Almost all the plans provided for only a marginal increase in cotton textile capacity (in looms 0.7, 9.9 and 13.1 per cent under the 3 Plans). At the same time, cotton textiles is the oldest and largest industry in India; it, therefore, is a natural reservoir of experienced entrepreneurs and is a source of funds as a result, of plough-back of profits. As these profits could not be used for cotton textile expansion, the entrepreneurs sought an outlet for these funds, particularly during the 1958-62 upsurge, in a wide range of industries. Thus one finds cotton textile mills investing funds in chemical plants, steel tube mills, rayon plants, foundries and so on, during the period under review. For example while the production index for cotton textiles rose from 80.1 in 1951 to 123.3 in 1964 that for chemicals rose from 72.9 to 226.3 and for machinery from 45.2 to 411.1 during the same period. The compulsion was essentially negative, but, given the state of expectations, it had the effect of diverting resources to industries more favoured under the plans". A. Medhora, "Industrial Growth Since 1950—An Assessment", New Delhi, (mineographed), p. 8.

Industrial licensing having been successful as a negative instrument, it is necessary to examine its other effects on the desired pattern of investment. In attempting a judgment on this issue it is important to bear two distinctions in mind. The first is between the effects of the specific industrial licensing system as it was administered in India and any form of industrial licensing whatsoever. The second is between the different forms of allocative decisions which have to be made and enforced. Industrial licensing can in principle be used to determine, by administrative procedures, the allocation of investment between industries, leaving to market forces the corresponding allocation within any one industry, that is, between firms. Alternatively, licensing can be used to determine both forms of allocation. In India, given the stated objectives of the licensing system, it has been viewed as a means for determining both kinds of allocation. This, however, is the specific form of the Indian industrial licensing system, and the criticisms directed at it should not be taken to be arguments against all forms of industrial licensing.

By requiring every industrial unit above a certain minimum size to be licensed, the Indian system appears in effect to have taxed larger enterprises and consequently subsidized smaller enterprises. The authorities also relinquished any control over the investment decisions of smaller units, except for the general influence of fiscal and monetary measures. Lastly, the authorities were effectively determining the allocation of desired investments of larger units in the private sector, the allocation being made both as between different and within the same industries.

(i) The licensing system suffered from a lack of economic or technical criteria for determining allocation of licenses within a given industry. The licensing authorities had the plan targets to guide them in discriminating between investment in different industries. But no criteria either of a technological or of an economic nature were prescribed by the Planning Commission for discriminating between different entrepreneurial plans for investments within the planned allocation in any given industry. Neither did the licensing authorities evolve any criteria for evaluating different proposals for establishing capacity in the same industry.[14]

Further drawbacks of the system were the practice of chronological selection of investment projects within a given industry, over licensing, under-utilization of licenses, and pre-emption of capacity. Lacking any explicit criteria for choosing between applicants for licences in any industry, the authorities tend to apply the principle of 'first come, first served'. When the requisite capacity laid down for the industry in the plans has been licensed, no further licences are issued. There is no follow up of licences issued and no provision for speedy utilization of licences.[15]

This procedure leads entrepreneurs to apply for a large number of licences so as to be first in various queues. They thus pre-empt capacity which they often do not intend to (or cannot) establish, leading to an under-utilization of licences in many industries. Partly to counteract this under-utilization, the authorities have tended to issue licences in many industries beyond the planned targets (often as much as 25 per cent). Especially during the period 1958-1962, when there was a general upsurge in demand for licences, these were issued irrespective of plan targets.

(ii) Over-licensing removes one of the advantages of centralized investment planning, namely the reduction of the individual producer's uncertainty about the future competitive supply position in his industry. If the demand estimates on which the industry targets are based are not underestimates, the establishment of capacity beyond the target level leads to excess capacity and marketing difficulties.

Over-licensing may thus reproduce the conditions in a free market with its attendant uncertainties about competitive supply. Investment decisions may be adversely affected because relatively certain information about the rivals' investment plans may be an important determinant of these decisions. When capacity beyond the planned targets was in fact established and excess capacity developed, there was the attendant economic loss associated with this excess capacity.

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[14] Thus as regards economic criteria for issuing licences, the Estimates Committee in the *Ninth Report on Industrial Licensing* (July 1967) notes that: "Asked during evidence whether any general principles had been laid down for issuing licenses for establishing new undertakings or substantial expansion of any undertaking, the representative of the Ministry of Industrial Development and Company Affairs informed the Committee that: 'not in the sense of laying down principles. But the things are well known that the unit should be economical and so on and it is the normal principle that we prefer expansion of an existing unit to the setting up of a new one as it is less costly'.

Asked further whether any general principles have been formulated by Government on the advice of the sub-committee of the Central Advisory Council as provided in the Registration and Licensing of Industrial Undertakings Rules, 1952, the Secretary of the Ministry stated: 'I don't think they have laid down any principles. This council meets, there is an exchange of information and matters are discussed'.

The committee are concerned to note that since the inception of the licensing system under the Industries (Development and Regulation) Act, 1951, no general principles/guide-lines have been laid down which are followed for the consideration of applications for the grant of an industrial licence. It is obvious that in the absence of such principles/guide-lines, the merits of each application are apt to be judged on an '*ad hoc*' basis". (pp. 135-36).

[15] Thus the Secretary of the Ministry of Industrial Development and Company Affairs stated to the Estimates Committee, *Ninth Report, Industrial Licensing* July 1967, pp. 153-154);

"If after an application has already been considered, approved and a letter of intent/license has been issued, a scheme for the same industry with less cost is received, for obvious reasons it is not possible to cancel the letter of intent/license issued earlier and entertain the new applications. The possibility of introducing a procedure of inviting applications in specified fields and considering them together periodically with a view to giving preference to entrepreneurs who require the minimum foreign exchange, etc. was examined by the Industries Development procedures committee. The conclusion was that such a procedure is likely to present serious practical difficulties. This was likely to result in bunching of licenses instead of their being spread appropriately throughout the plan period and would result in delays or failures to utilize the available foreign loans and credits to the over-all detriment of the interests of the country. The Committee therefore recommended that there need be no change in the current procedure".

Furthermore, the Mathur Committee Report on the Directorate General of Technical Development has noted that:

"Categorization of industries in the 'banned' list or 'merit' list was being done purely on the basis of targets of capacity and capacity licensed on paper without reference to the actual production and the utilization of capacity already installed", Estimates Committee, *op. cit.*, p. 145.

Industries which were over-licensed and in which capacity beyond the targets was installed, would clearly be drawing upon resources from other industries (assuming a fixed total of investible resources). Over-licensing in any industry may thus imply a reallocation of investible resources among industries. Such a reallocation would be justifiable if the initial technological and demand estimates on which the planned targets were based appeared to have changed, or if they were erroneous. This would require a deliberate readjustment of inter-industry targets. But there is no evidence that over-licensing in particular industries was based on such calculations. It may thus have resulted in an unplanned reallocation of resources between industries without any clear economic rationale.

Finally, the practice of chronological selection of intra-industry investments entailed a bunching of licences at the start of each plan. This implied that no planned phasing of investments was done over the life-time of each plan. A strain was put on scarce resources such as foreign exchange in the earlier years of the plan, and the actual phasing was not based on any economic plan, but was rather the result of decisions determined by short run considerations, such as the availability of foreign exchange in particular years.

(iii) The industrial licensing procedure was merely the first of a number of hurdles to be crossed by prospective industrialists. The attendant delays involved in sanctioning, establishing and commissioning particular plants have been one important reason for the high realized capital output ratios in the industrial sector. Even after the introduction of the new procedure recommended by the Swaminathan Committee (1964), the average time for disposing of an application for an industrial licence was 131 days.

The costs of these delays would not be very important if they could be offset by social benefits in terms of a more rational and efficient choice of projects than would be possible without the administrative procedures which result in the delays. But as no attempt is made in the Indian control system to use techno-economic criteria for choosing projects within the licensing procedure, the costs of delays are a net loss to the economy.

Most of these inefficiencies of the Indian industrial licensing system can be traced to the attempt to control physically not merely the inter-industry pattern of investment but also the distribution of investment between firms within an industry. Justifications for control within a given industry may be found in the wish to increase competition or to have plants of the best size. But to achieve these objectives, technical and economic criteria are needed to discriminate between projects at the intra-industry level.

(iv) These well-known criticisms of the licensing system cannot, however, be used to deny the need for an instrument for enforcing the inter-industrial pattern of investment. This is a function that a modified form of industrial licensing can achieve and it is this negative function which has been the real achievement of licensing in India. If the instrument had been designed to fulfill no more than this objective, and not also been used to serve the various other objectives (which in practice it could not serve), most of the inefficiencies associated with the instrument in India would have disappeared.

If a licensing system is to achieve the principal objectives of the basic Indian scheme and yet avoid the main shortcomings which the latter has had, for good and logical reasons, it must firstly cover the whole of the industrial sector. If planned targets are to have any meaning, investments outside planned areas even by small-scale units entail a net diversion of given investible resources into non-planned uses. Second, the licensing procedure should be recognized as merely serving the essentially negative role of preventing investments outside the planned areas, and beyond the planned targets within the planned areas. This may be done, for instance, by requiring all projected investment plans to be registered with the authorities. This registration could be automatic. Every few months the stage reached in actually implementing the proposed investment would also have to be registered, till the plant goes into production. Once enough plants have gone into production in any industry and the planned target is fulfilled, that industry would automatically be placed on a banned list and no further registrations from producers contemplating production in that particular industry would be allowed. The register showing the investment plans and various stages of implementation should be open to the public. Areas in which actual production, or plans for new capacity, or substantial expansions, fall far short of planned targets could be announced periodically by the authorities, together with such fiscal or monetary measures as they may think necessary to encourage investment in these areas. Thirdly, and finally, no plans for establishing capacity should be permitted in either the non-planned sectors, or in sectors where actual production has reached the planned levels. Only in these cases would a specific licence be needed to install capacity.

The net effects of such a compromise system would be to keep the balance of investment in different industries in line with planned targets. Targets need not, of course, remain fixed over the time span of the plan. In the light of changing circumstances they could and should be changed, but only as a result of a conscious decision and explicit calculations by the planners, not as a result of *ad hoc* decisions taken in ignorance of the actual utilization of licences issued.

The distribution of investments within a given industry depends upon the speed with which particular entrepreneurs in fact succeed in installing capacity, not on the speed with which they can apply for licenses. This precludes, of course, any possibility of judging the relative techno-economic merits of alternative projects in the same industry, but no such appraisals seem in fact possible at the moment. It is obviously desirable to develop criteria for choosing between competing projects but they have to be developed before this type of choice is taken on as an administrative function, lest an unprepared system of control fails not only in this but also in the more essential task of supervising allocations between industries. If such criteria are developed they may be made a necessary precondition before producers can register capacity (e.g. a project appraisal on given techno-economic criteria certified by recognized consultants).

The development of such criteria is not, of course, difficult, certainly much less difficult than their implementation in an administrative process of selection between competing projects. When criteria have been agreed upon, there remains the choice between closely controlling a few industries or size-classes of projects (whether size is defined in terms of total cost or of foreign exchange requirements) on the one hand and attempting a less detailed and administratively less demanding control extending over the entire field of industry. Recent thinking in India seems to tend to the former solution. This may well imply a change in the basic concepts of Indian planning but need not do so if elements of both solutions are combined.

Administrative discretion could thus be confined to issuing licenses in areas which are either outside the plan areas, or above the planned targets. These decisions in turn could be removed from the administrative framework and placed within the ambit of the planners, who could see, and work out, the implications of implicitly (or explicitly) changing the planned targets on the balance of resources and outputs in the plan as a whole.

The existing delays in the present system could be reduced by schemes of the type discussed above. A positive inducement would be offered to producers to fulfill their investment plans speedily so as to prevent competitors from edging them out of the industry.

Likely effects of recent liberalization measures. The form in which industrial licensing has been administered in India has proved to have many inefficiencies. The movement away from industrial licensing of private sector industries owes something to the view that experience has shown all forms of licensing to be counter-productive.

As liberalzation proceeds, instead of completely abolishing the licensing system, exemptions from it are allowed to more units. These exemptions are of two sorts. First, there is a raising of the exemption limits in terms of the size of capital investment, on the grounds that most industrial investment is accounted for by the larger units and controlling them in depth is the only feasible and desirable policy the Government can follow. This raising of the exemption limit is in effect a tax on the larger units, since it does not remove the inefficiencies associated with the current form of industrial licensing but restricts them to the larger units which may well be the more important ones from the point of view of the plan. It furthermore implies that controlling investments by small and medium sized units, outside the non-planned sectors, is not important. These results of liberalization would only make sense if in fact the Government did not look upon all (or most) plan targets as imperative but was merely interested in some (or very few) of them. This would be equivalent to a system with a much larger public expenditure programme than the actual one, part of which was administered through private agencies, while all other investment expenditure would be subject to market forces. Such a system may be more desirable than a fully planned economy, but it is important to note that it is different from the latter, and moving towards it means moving away from a planned economy.

This point can be put in another way. Given fixed investible resources and a detailed allocation of these in the form of planned targets, a negative instrument can only work by diverting investment demand away from non-planned areas and from areas where planned targets have been achieved. It cannot create investment demand in the desired proportions and in the desired areas. If one subjects only a certain area of the economy to the negative instrument then the instrument is blunted, for there is no way (apart from price-reliant means) in which investment (both its pattern and volume) can be diverted into any of the planned sectors. The net effect, in fact, is to provide a disincentive to investment in the area subject to licensing. For the rest, the system would resemble a free market modified to the extent that price reliant measures—taxes, subsidies, rates of interest—are successful in converting actual prices into the implicit shadow prices associated with the planned targets, provided always that the responses of entrepreneurs to these shadow prices are not sluggish. It is generally doubted that either of these results can be achieved with much certainty by price-reliant means in a developing country. If it is also felt that the planned targets are necessary to make the structural changes needed for long-run growth, physical controls to divert investment into planned sectors became unavoidable. While it is true that industrial licensing is a negative instrument for keeping investment within the desired channels, this implies that to be effective it must cover all investments, big or small.

The irrationalities associated with the existing licensing system seem, therefore, to argue not for a reduction in the area of licensing, but only for a change in its form.

Other aspects of the recent measures of liberalization of industrial licensing make good economic sense within the framework of a planned economy. The removal of licensing requirements for so-called 'priority' industries, i.e. export industries and industries in which there is a wide margin between realized and planned capacities, implies a positive inducement to investment in these sectors, or an implicit subsidy to producers contemplating investment in these priority industries. This is at least true to the extent that in the nature of exporting, licensing cannot protect a producer against his competitors; and that a wide margin between realized and planned capacities is associated with a relatively strong demand for the products in question. If this measure is looked upon as a step towards giving up industrial licensing altogether, as has in fact been recommended in certain official reports, then the general arguments against giving up a negative instrument for channelling investment when planned targets have to be enforced, would hold.

2. *Trade controls*

Effective protection

Since 1956/57, widespread use has been made of quantitative import restrictions for managing the balance of payments. This has made trade controls, via their protective effects, the main positive instrument for inducing investments in the industrial sector. The use of quantitative restrictions together with import licensing on the basis of an effectively overvalued exchange rate (till the devaluation of 1966) led to a wide range of effective rates of protection for different industries. This can be deduced from the very existence of quantitative restrictions, and the wide variability in the nominal tariff rates on imported inputs and outputs. To the extent that the relative rates of effective protection pull domestic resources towards the more protected activities, the system provided differential incentives for investment in different industries. Actual investments were partly controlled by industrial licensing within the scheme of investment inherent in planned targets. But to the extent that these planned targets were ignored in the actual procedure which involved over-licensing, the structure of effective protection must have determined the actual inducements to invest in different sectors, and hence the realized pattern of investment.

The vast network of effective rates of protection created by quantitative restrictions, differential tariffs, and, especially after 1958-1960, by the varying and differential export subsidies, did not seem to reflect economically justified departures from a unified exchange rate. They resulted from *ad hoc* adjustments to short-run changes in the balance of payments.

The imposition of blanket bans on imports of indigenously produced goods did by all accounts give a strong positive inducement to all investment in general. The most stringent import restrictions were imposed after the first foreign exchange crisis of 1956/57. The great upsurge in investment demand took place during the period 1958-62. As this investment demand was essentially directed to filling in the known gaps in the industrial structure which became apparent after most imports had been eliminated, it was import substituting in nature. All indices show a substantial increase in import substitution during this phase of Indian industrial growth.

The upsurge in industrial investment which was based on an apparent home demand, petered out once the capacities established in this period fructified by 1962. As the effective rates of exchange were on average much higher for importers than for exporters[16] the inducements offered to producers by the trade control system was biased against exports. The bias against exports, and the continued and increasing dependence of the newly created industries on maintenance imports appears to have burdened the balance of payments in the longer run and arguments about foreign exchange constraints and bottlenecks to development came to be the order of the day. With the sluggishness of aid, diversion of public expenditure to defence and the cuts in total expenditure to curtail the inflationary impact of two bad harvests, stagnation of industrial output and investment has been the main feature of the industrial sector since 1962.

To what extent has this sequence been due to failure to implement planned targets, and to what extent can this failure in turn be blamed on trade controls which gave the wrong signals to investors by maintaining an inefficient structure of effective rates of protection? It has been argued that the shortfalls relative to planned targets have been greatest in the areas which were crucial to the strategy of the second plan, namely in the basic industries.[17] This in itself need not have led to lower levels of output, growth and welfare if an upsurge in exports of new manufactured goods or of traditional exports had belied the pessimistic assumptions about stagnant export earnings on which the plan was based. However, till the early 1960's, when a system of export subsidies was instituted for the new manufactured goods, the net effect of the system of trade controls was undoubtedly to penalize exports. This was not completely reversed by the import entitlement schemes.

To argue that shortfalls were in fact greatest in the areas which were crucial to break out of the foreign exchange bottleneck on the lines of the Mahalanobis model, does not mean that the system of trade controls and the consequent structure of effective protective rates were responsible for these shortfalls. There is, however, some evidence to suggest that this in effect was the result of the effective protective system combined with the general loosening of the negative instrument of industrial licensing during this period.

Given the tendency to allow imports of capital goods and various intermediate goods whilst banning final consumer goods, the effective protection offered to consumer goods industries is likely on balance to be higher than that offered to intermediate and capital goods. This, by itself, should lead to a higher rate of growth of availability of consumer goods (as compared with the pre-protection period when availability of imports would determine this rate), unless the licensing system can restrain establishment of capacity in this sector to the planned levels. The latter does not appear to have happened. A.V. Desai has moreover calculated that consumption per capita of nine categories of "less essential" consumer goods—automobiles, electric fans, radios, air conditioners and refrigerators, motor cycles and scooters, rayon, sewing machines, bicycles and pharmaceuticals—increased in the 1950's and 60's almost twice as much as would have been estimated from an income elasticity of demand function for these goods derived from a pre-protection base period. This provides a strong presumption for concluding that the inducements offered by the trade control system via the structure of effective protective rates it generated, did lead to a distortion of the realized pattern of investment away from the planned pattern.

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[16] cf. Philip Thomas, "The 1966 Devaluation and Import Liberalization in India" (mimeo), Decemer 1966.

[17] Amongst the industries in which there were persistent shortfalls between realized and planned targets during all three plans were: pig iron, steel, aluminium, fertilizers, paper and paperboard and cement.

Capital goods licensing

The second general feature of the trade control system which impinges on the pattern of investment is the use of capital goods import licensing to enforce planned targets. The procedure varies as between private sector and public sector industries. But in fact it appears to have discriminated against public sector units, for which licensing procedures were more complex than for the private sector.[18]

With the movement away from industrial licensing, capital goods import licensing is seen by most officials as the chief instrument for enforcing the pattern of investment.

To use import licensing as the chief control on the pattern of investment implies that foreign exchange is looked upon as the only scarce resource in the economy, and also that existing resources which incorporate imports (or would need imports for replacement) are not regarded as scarce. The former would only be true if a country was in a strict foreign exchange bottleneck,[19] but the very exhortations and hopes of the authorities that exports can be increased implies that this is not taken to be the case. If resources other than foreign exchange are also scarce, then it is inefficient merely to minimize the foreign exchange cost per unit of output by screening projects at the capital goods import stage. Not only industries which use foreign exchange need to be controlled, but also those which need only domestic resources.

Even if a country was in a strict foreign exchange bottleneck, and it was thus rational to use a foreign exchange cost minimization criterion to screen investment projects, the relevant measure of foreign exchange costs must include both direct and indirect foreign exchange costs. Controlling investments only on the basis of their direct foreign exchange costs through import licensing of direct inputs is irrational even in such a case.

There can thus be little justification for using capital goods import licensing as the chief instrument for controlling the pattern of investment. It would only affect those industries which are direct consumers of foreign exchange, leaving all the others to market forces. If market forces are not trusted to yield an optimal solution to the problem of allocating investible resources between competing sectors, an explicit calculation of the relative social costs and benefits of different investments is unavoidable. In this calculation all scarce resources, including domestic resources and direct and indirect foreign exchange resources required, need to be taken into account. The resulting allocation of investment must then be enforced. For this purpose, the mere control of the allocation of capital goods imports could be insufficient and inefficient.

The trends towards substituting capital goods import licensing for industrial licensing is therefore difficult to justify. Apart from introducing a bias against the sector which will be controlled, namely the direct import using sector, it will imply a movement away from enforcing any socially desirable pattern of investment in the rest of the industrial sector.

3. *Price and distributional Controls*

The net effect of these controls, relevant to the pattern of investment, falls on the relative profitability of industries subject to these controls and on the amount of profits available to the industry for financing expansion. They thus create a disincentive to invest in industries subject to control. As many of the industries subject to price and distributional control, e.g. steel and cement, were industries where substantial expansions were envisaged under the plans and where shortfalls in realized relative to planned levels were large, controls hindered the enforcement of the planned pattern of investment.

In the case of steel, the above factors were relatively less important in influencing investment plans, as a large part of the proposed investment was to be in the public sector. But investment in cement certainly seems to have been affected by the reduced profitability and lower levels of plough back profits, as a result of the price and distributional controls. This was recognized when cement was decontrolled in 1965. The decontrol was undertaken partly to enable producers to make larger profits through higher prices, and thus to finance the expansion which was needed to make up past shortfalls in capacity expansion.

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[18] cf. Mathur Committee Report on the Directorate General of Technical Development, Part II, 1965, p. 60.

[19] cf. D. Lal "Foreign Exchange Bottlenecks, Balance of Payments Investment Criteria, and the Optimum Pattern of Trade and Production", (mimeo.) Oxford, 1967, p. 93.

4. *Fiscal and monetary control*

Till fairly recently, financial controls were not used as discriminatory instruments to channel investment in keeping with differences between realized and planned targets in different sectors. Their net effect was to provide an incentive for investment in general.

The recent trends towards using monetary and fiscal policy in a more discriminatory manner to enforce planned targets, is thus a desirable and necessary supplement to the existing policy instruments.

5. *Conclusions*

The control system in India seems to have enforced the planned targets only imperfectly. It has been relatively more successful in preventing investment in certain sectors than in inducing investment in planned sectors.[20]

The inducements provided have on the whole applied to investment in general through the protective effects of trade controls and the incentives offered by financial controls. The differential incentives which have been provided, (for instance by the differential and varying effective rates of protection as given by the trade controls, and the relative disincentives to investment in industries whose outputs are subject to price and distributional controls) were, on the whole, not based on economic calculation and may have been counter-productive in enforcing the planned pattern of investment.

The attempt to control the allocation of investment not merely between industries but also within an industry lacked clearly worked out and uniformly applied criteria. Given this and the immensity of the problem of collecting information of the requisite kind, range and volume, it is not surprising that this attempt has not been successful in terms of economic criteria such as choosing the most efficient plants or reducing economic concentration and monopoly, but has also led to irrationalities and inefficiencies such as delays, over-licensing, bunching of licences, chronological selection and pre-emption of capacity, under-utilization of licences and under-fulfilment of plan targets.

The conclusions drawn by official bodies from these observed inefficiencies, namely the need for a reduction of the area of licensing and the concentration on capital goods import licensing as the main instrument for enforcing the planned pattern of investment, nevertheless seem to be illogical and likely to lead to further inefficiencies in the industrial structure and to a gradual relinquishing of control by the authorities over the planned pattern of investment.

Here it is necessary to examine the view that fiscal and monetary instruments would be sufficient to enforce the planned pattern of investment. In principle, this seems plausible. But in a developing country where demand and supply elasticities tend to be low, marginal changes in price-reliant instruments may be insufficient to prevent investments which are not in line with planned targets. This is essentially a matter of judgment, given the present lack of any precise knowledge of entrepreneurial investment functions. It is difficult to believe that some form of industrial licensing, if only of the minimal kind outlined earlier in this section, can be dispensed with, if the government is to retain more than a token control over the deployment of investment resources in line with planned targets.

Import licensing as the chief instrument for screening investments makes sense, if at all, only for a country which is developing autarkically, and even then both the direct and indirect foreign exchange components of investment must be assessed. On both counts the current trend towards reliance on import controls seems illogical. In fact, given the many inefficiencies associated with trade controls on the pattern of investment and the efficiency of production, it might be argued that it is these controls that need drastic modification so that they merely manage the short run balance of payments problems. In this variant, control over the pattern of investment might be exercised by a combination of a modified industrial licensing system which only seeks to influence the inter-industry allocations in a negative manner, and fiscal and monetary instruments which can be used to influence the intra-industry allocations (e.g. by differential access to credit to different borrowers) and to offer positive differential inducements to investments in line with the pattern of planned inter-industry allocations.

Finally, it is necessary to consider the view that the Government should only involve itself in the planning of the so-called 'priority' industries, leaving the rest to market forces. Put thus, it seems unexceptionable, but that is because it is imprecise and can imply many different forms of economic control systems. To disentangle these, consider the notion of 'priority'.

Planning necessarily implies some notion of priority. But it is not obvious how these priorities are to be derived, though the following factors are relevant in determining priority. First, assume that the over-all size of total investment and the plan is reduced. If certain activities appear then to bulk large in the total planned allocations, they may be said to have priority over other activities in terms of their economic value.[21] These are the activities which should have 'priority'. For these activities are needed in what might be called the 'core' plan. Secondly, if investment in these activities is lumpy, subject to external economies and/or takes a relatively long time to mature, making up shortfalls will take more time if these activities are cut or their programmed levels are not achieved. Given their 'priority' in the first sense, this will entail a greater economic cost than if there are shortfalls in certain other 'marginal' activities. Thirdly, given 'priority' in the two described senses as well as a divergence between the private and the public (or "social") valuation of future returns[22] (i.e. the value attached to an income expected with certainty at a future date) private entrepreneurs may be shy of moving into these activities. Then, given all the above three factors, the Government might like to assign to these industries priority status, and concentrate on achieving these planned targets above all others.

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[20] Even here there is some justification for the view expressed by the present Vice Chairman of the Planning Commission in 1967:

"In the aggregate the economy has operated almost as a laissez faire economy, modified in part by certain specific controls. The successes of planning have been in areas where the Government has directly undertaken large programmes of public expenditure; its failures in areas where the planned use of resources has been left in private hands." D.R. Gadgil, "Planning Without a Policy Frame", *Economic and Political Weekly*, annual no. February 1967, p. 93.

Such an exercise in assigning priorities is undoubtedly an essential part of any well-conceived plan. The shortfalls in many 'planned' targets which one might expect, on *a priori* grounds, to have priority over many others may point to a weakness in this aspect of planning—a weakness in the conception of planning or in implementation. If the current trend is towards firstly defining these priorities and, secondly, seeing that they are certainly enforced by using positive instruments, then this is certainly a move in the right direction.

But to join this with a recommendation that the Government should only concern itself with priority sectors and leave the rest of the industrial sector to market forces argues for radically limiting the extent of the Government's control over the economy. It would only be plausible if in fact the pattern of investment in the non-priority sectors did not require any form of direct control, and if it was incapable of affecting adversely investment in the priority sectors. This would be the case if market forces gave the socially desirable pattern and volume of investment in these areas or if the Government could modify market forces by taxes and subsidies to get the socially desirable (or planned) pattern and volume. As regards the latter point, it seems unlikely that in the Indian situation, taxes and subsidies would be sufficient in themselves to give the planned pattern or volume. As regards the former, it is not compatible with the preliminary assumption that economy-wide planned targets giving the socially desirable pattern of investment are needed as the market solution is likely to be non-optimal.

Furthermore, if the supply of investible resources is fixed at any point in time, and if market forces pull resources more strongly into the non-priority areas and can only be modified very imperfectly, the task of getting resources and capacity levels in the priority sectors to their planned levels will be made more difficult.

Thus even if the Government's primary aim is to see that priority targets are fulfilled, it will have to use some negative controls to see that resources do not spill over into non-priority sectors beyond the planned levels, assuming that the estimates of over-all resources available to the economy are correct.

Though the delineation of priorities is an important part of planning and designing the control system necessary to implement the plan, restricting planning and governmental intervention to just the 'priority' sectors is likely in effect to jeopardize the plan.

III. *The efficiency of production*

Industrial licensing, trade controls and price and distributional controls are all likely to influence the efficiency of production.

Given a particular pattern of investment, the efficiency of production will depend on two factors.

It depends, firstly, on the extent to which the production decisions of producers are based on prices of inputs and outputs which are "socially correct" in the sense of reflecting the values which such inputs or outputs would have in alternative uses. It is thus a question of the technologically and economically best mix of various inputs. It is also a question of the optimal scale of production, which will depend upon the technology and the social opportunity costs of the outputs as given by a system of socially correct relative prices for the outputs. Did the control system give the right signals to lead producers to use the socially best input mix and produce the socially best set of relative outputs? It is difficult to answer this without knowing the answer to a further question: what are the minimum information requirements of the authorities to determine in advance the socially best input-output mixes if they are seeking to supplant or modify the solution which the uncontrolled market would provide?

The efficiency of production will also depend upon the degree of competitiveness within each industry, in so far as competitive pressures induce entrepreneurs to produce any given output at the least cost. How far did the control system aid or hinder the development of competitive pressures in the industrial structure?

1. *Industrial licensing*

Until the recent liberalization measures, the product mix which entrepreneurs could produce was fixed at the time the licence was issued. No change was allowed without obtaining a fresh licence.

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[21] *This is obvious from a programming framework. Given an objective function, as the number of constraints on any proposed investment programme are increased (either in terms of the size of particular constraints and/or the emergence of new constraints and/or the size of all the constraints), if a number of activities disappear or diminish radically in size in the investment allocations that emerge from the modified programmes, whilst others remain fairly large or in fact tend to increase their share, then the latter activities can be said to be of greater relative importance than the former.*

[22] *Differences in the rates of time preference.*

An important inflexibility was thus introduced into production decisions in the face of emerging and varying market conditions. By implication, also, the market shares of particular firms in any industry were fixed once their full capacity output had been allotted to them and so long as conditions of excess demand for their outputs prevailed. Competitive pressures on producers were thus reduced. For any product A, once the target capacity had been licensed, free entry of potential applicants for licences was thus barred. Also, producers with licensed plant and equipment to produce, say, B, but which could be used to produce A at times when the demand for B was sluggish, were prevented from diversifying their output into A, and thus from pressing existing producers of A to minimize costs.

Furthermore, there was a loss of potential output if industries suffered a lack of demand for their licensed products, but would have been able to produce other things for which there was excess demand.

The reason for prohibiting such a diversification in response to changing demand conditions was presumably the fear that excess demand for 'non-essential' consumer goods would divert capacity into production for this sector, and also the fear that it would tend to increase economic concentration. The prohibition was thus partly considered as a means for controlling the growth of non-essential consumption. The latter is to a large part determined by availability and indirect taxation of these goods would not curb the excess demand which was likely to be price-inelastic.

There is undoubtedly some basis for this fear. But it only justifies explicit bans on diversifying output into 'non-essential' consumer goods, leaving the major portion of the industrial sector free to vary its product mix with shifts in the pattern of demand. The control over the establishment of capacity by industrial licensing could have been used to restrain the demand for capital and intermediate goods needed in the production of the 'non-essential' items beyond the planned targets. The capital and intermediate goods sectors could then be left free to diversity their output in line with changing demand conditions in the other 'essential' sectors of the economy. Liberalization has allowed freer diversification of output and if policy can be shaped so as to limit expansion into non-essential output it will aid efficiency at a small price in terms of the pattern of investment. The ceiling that was set on the extent of diversification, however, does not appear to arise from a systematic combination of policies to steer the pattern of investment and to raise efficiency except insofar as no strong barriers exist against diversification into non-essential items. In principle, it would seem that diversification should either be free but only into essential sectors, or, if this is not feasible, there should be no diversification. Limiting diversification to 25 per cent of the licensed capacity of plants cannot be more than a compromise.

Even the partial liberalization allowed to producers in choosing their output mix is felt in India to have had salutary competitive effects. This qualitative improvement does not show up in the statistics: if a firm producing A for which demand has fallen moves into B where it squeezes out inefficient producers, the total output of B may remain unchanged even though it is now being produced more efficiently.

Finally, the tendency to use licensing as an instrument for controlling the growth of monopoly also has a bearing on the efficiency of production. This objective has in practice been interpreted to mean that total targetted capacity in any industry has to be split up into a number of different units to induce competition amongst them. In a completely protected market with no danger of competitive foreign supply and with excess home demand for most products, this measure is understandably self-defeating. In industries where economies of scale are important and the existing domestic demand can at best support a single optimum sized unit, dividing licensed capacity into a number of small units results in total planned output being produced by a number of uneconomic, undersized plants. The welfare costs of this can be considerable, especially if they have not been balanced by any large gains in equity.[23]

2. *Trade controls*

Quantitative restrictions on imports and the licensing of maintenance imports are particularly relevant to the impact of trade controls on the efficiency of production.

For a large part of the industrial sector the availability and allocation of current imported inputs for maintenance purposes determines the level and pattern of production. The principles on which the imports are allocated and the information on which this is done, are therefore of importance in judging the effects of the allocation on the efficiency of production.

As the bulk of maintenance imports is provided through actual user licences, it is necessary to know how allocations are made to different industries, and to firms within industries. The following is a highly condensed account of the procedural steps involved in allocating foreign exchange[24] to a large group of industrial units.

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[23] An example of such an industry is the automobile industry, where the present plants are below the optimal size, but it is likely that the industry would be economic and competitive with imports, if the same output was being produced by a single plant; cf. V. Joshi and D. Lal.
A Cost Benefit Study of the Indian Automobile Industry. Indian Industry Studies, OECD, 1968 (mimeo.)

[24] As a large number of industrial units are what are called DGTD (Directorate General of Technical Development) borne units, the procedure described by the Mathur Committees on (i) the DGTD, and (ii) import-export trade organizations can be used in the discussion.

The first stage of the procedure is as follows:

> "In the beginning of each calendar year, and again in the middle of it, the Economic Adviser attached to the Ministry of Industry and Supply collects demand figures from the DGTD and others relating to their requirements of foreign exchanges for commercial imports for two succeeding half years separately. On the basis of these demand figures, the Department of Economic Affairs, Ministry of Finance, makes a consolidated allocation to the Industry Ministry for all commercial imports (other than for ships, iron and steel, petroleum, oil and lubricants, tourist promotion, newsprint and private sector steel industry)".

The Ministry of Finance thus determines the allocation to the Ministry of Industry, after pre-empting foreign exchange for food, fertilizers, petroleum and defence, and allocating foreign exchange (i) for public sector undertakings for both equipment and raw materials, and (ii) to the Iron and Steel Controller. The task of distributing the Ministry of Industry's bulk allocation to various heads is then taken up by the Economic Adviser "on the basis of past performance and other relevant considerations obtaining at the time ..." The allocations are finalized at a meeting of officials of various economic ministries, "the emphasis being to off-load the demand for free foreign exchange to non-free resources to the maximum extent possible".

The Directorate General of Technical Development then allocates its share of foreign exchange, in consultation with officials in various other ministries concerned. The basis on which foreign exchange is allocated to industries seems to include certain *ad hoc* priorities. Broad categories such as engineering contain a large number of heterogeneous industries—thus 'engineering' consists of 123 items whilst the first item in engineering, machine tools and small tools, itself contains 19 further items. Broad priorities, even if adhered to, may thus turn out to be meaningless when further apportionments have to be made to the various sub-divisions of an industry. A large part of the administrative task at this stage is to try matching supplies and demand for different types of tied aid credits.

The next stage is to apportion the industrial allocations to individual units. The general criterion used is the past production of units but this period of reference is not defined in a uniform way for different industries.

These are necessarily the rules of thumb developed by an administration which was called upon to allocate foreign exchange to thousands of units, whose competing claims it had no means of evaluating. Not surprisingly 'historical' and 'fair' shares came to be the commonly accepted criteria for making these allocations.

There also seems to be some evidence that even at the industry stage priorities are not assessed on clear economic criteria, nor are these priorities always used to make allocations.

The combination of criteria of 'historical' shares and 'installed capacity', with the non-transferability of import licences, and with the fact that the licences are issued for specific commodities tends to freeze the relative outputs and market shares of industries and firms. It creates an incentive for producers to expand capacity even though their existing capacity is not fully utilized, as their current output depends on their import allocation, which in turn is based on installed capacity. It also creates an incentive for producers to hold larger inventories. The social costs of these effects is obvious. It is also obvious that lacking information about the optimal input and output mixes as a result of changing foreign exchange availability for the economy, for each industry, and for units within an industry, it is difficult to see how the allocating authority could make allocations except on the basis that it uses.

Here the question arises whether the inflexibility and economic irrationality of a detailed administrative allocation of maintenance imports is matched by any economic gains. The only gain, it seems, is the preservation of equality between the demand and supply of foreign exchange by detailed retioning. This is essentially a problem of managing the short run balance of payments, and will be considered later. Here it is only necessary to note that whereas the broad inter-industry allocation may be relatively easy to determine on economic grounds, it is extremely unlikely that planners will have the requisite information or time to deternine the detailed intra-industry allocations on sound economic criteria.[25]

3. *Import liberalization and indigenous availability*

How far do recent measures of import liberalization redress these inefficiencies in the pattern of production?

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[25] It is possible to outline what, in principle, the task of a rational detailed administrative allocation of maintenance imports would involve. First it is important to remember that it is the relative social values of the inputs and outputs *on the margin* which are relevant in making the allocation.

"India's problem is not whether to import steel or copper, but to choose among alternative possible combinations of amounts of the two. Given an existing volume of import of copper and steel or of any other combination of commodities that might be considered - India's choice is between an increment or decrement of one, an increment or decrement of another... Similarly from the point of view of an individual enterprise or project, good allocation requires not an estimate of the value of copper, rubber, a petroleum product, or a synthetic fibre generally, or on the average, or in the aggregate, but instead an estimate of the value to the enterprise or project of an increment that might be added to its uses of it or a decrement by which its uses might be reduced". Lindbohm, "*Indian Import Controls*". USAID, New Delhi, July 1965, p. 94.

To make these allocation decisions on the margin down to the level of particular firms, the planners would need to know (i) the detailed variable input output coefficients of each firm, and industry in the economy, and (ii) assign relative social values to the inputs and outputs of each firm and industry. To state these requirements is to show the impossibility of fulfilling them in practice. But this, in effect, is the task the administrative authorities have been called upon to fulfil. Small wonder that they have fallen back on rules of thumb like 'historic shares', etc. in deciding allocations.

For the fifty-nine priority industries that are to get their full capacity imports automatically, the input-output mix will be determined on a more rational basis. Combined with the relaxation of restrictions on diversification of the output mix and the relaxation of industrial licensing for expanding capacity for some of these industries, these changes should increase competitive pressures within them.

The extent of import liberalization for the fifty-nine priority industries is however restricted by two factors. Firstly there is a need to keep the demand for different types of foreign exchange (free foreign exchange, bilateral credits and various tied aid credits) within the supply. As a result, import licensing has not been suspended for these industries. Import licensing now tries to match the demand for foreign exchange with the various tied aid credits, and here the issuance of an import licence for a country-tied credit which cannot be utilized by the recipient, is equivalent to denying him foreign exchange. Allotting Bulgarian bulgare to someone who needs Swiss francs, is equivalent to denying him imports. To this extent, liberalization is less far-reaching than it appears.

Secondly, the principle of 'indigenous availability' has not been given up in the relatively freer import licensing procedures for the priority industries. As this is also an important consideration in capital goods import licensing (which has been maintained intact) it is necessary to assess the rationale and effects of the 'indigenous availability' criterion in allocating both maintenance and capital goods imports.

It is obvious that the 'indigenous availability' criterion is just another form of the 'minimization of foreign exchange costs per unit of output' criterion. This latter only makes sense for a country which is in a strict foreign exchange bottleneck and/or is developing autarkically, and then only if the direct and indirect foreign exchange costs involved in producing the indigenous inputs are less than the direct foreign exchange costs of importing them. It is after all conceivable that given quantitative restrictions and the resulting differential rates of effective protection, the direct and indirect foreign exchange costs of producing the indigenous input may be greater than the direct foreign exchange costs of importing the input.

This leads to the protective effects of the trade control system and the rationale for effectively banning all competitive imports, The elimination of all foreign competition for goods produced domestically, is likely to affect the efficiency of production. Lacking any threat from cheaper competitive imports and given domestic excess demand for these products, domestic producers have little incentive to reduce costs and bring them in line with international standards. This implies that infants granted protection on infant industry grounds need never grow up and the consequent social losses in production and consumption are obvious and well known.

The stage may well have been reached in many India industries where the threat of potential foreign competition is needed to make production efficient. The recent liberalization measures do not really pose this threat to domestic producers, because they stop short of allowing imports that compete with indigenously available products. The reasons for this requirement of indigenous availability are firstly to assure full use of domestic capacity—project authorities may prefer imports solely on the grounds of somewhat lower cost even though perfectly good substitutes are domestically available for immediate delivery; secondly, to overcome irrational preferences for imported supplies or the disinclination to go to the trouble of combining foreign with domestic inputs; thirdly, to assure full utilization at home inasmuch as this would reduce cost, and to conteract the lesser ability of Indian suppliers to offer deferred payment terms.[26]

The first of these points is, strictly speaking, erroneous. It is so in the sense that the price of imports is lower than that of indigenously available equipment which is being produced as efficiently as it can be, and if the existing exchange rate represents the true opportunity costs of earning and using one more unit of foreign exchange, then it is desirable to import the machine, and shift the resources embodied in the domestic machine industry to some other sector. In the short run, however, factors are immobile. The industry should eventually be allowed to decline as the existing stock of machines depreciate and is not replaced but in the interim the inefficient domestic industry should be given a subsidy to enable it to bring the domestic price down to the world price. If this is not feasible, a tariff could be put on imports.

This policy conclusion immediately poses one of the most difficult practical problems governments are likely to face if they try and adopt rational policies to correct past mistakes arising out of inefficient protective systems, namely the political problem of forcing a domestic industry to contract.

It cannot, of course, be assumed that the domestic substitutes are produced as efficiently as possible, but to raise efficiency the threat of international competition may occasionally be necessary, and the criterion of indigenous availability conflicts with this.

The various irrational features of purchaser's preferences make the 'indigenous availability' requirement seem less irrational. It may be necessary to make consumers buy domestically produced goods which are in every way competitive with imports, but to which they have an irrational aversion. This may be especially important for capital goods. Moreover, in so far as capital goods import licensing may be unavoidable so long as tied aid forms an important share of foreign exchange availability, the requirements for indigenous availability clearance could be given a rational form for capital goods import licensing. On the one hand, it could be used to make producers of domestically produced equipment more efficient by urging them to sell their output at world prices. On the other hand, buyers of capital goods with an irrational aversion to buying domestic equipment which is in every way competitive with imports, could be denied capital goods imports. To this extent indigenous availability clearance for capital equipment may be justified. But instead of automatically denying imports for goods which are domestically produced it sould be used as a discriminating instrument to force efficiency on domestic producers and rationality on domestic consumers.

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[26] cf. Committee on Utilization of External Assistance 1964 (V.K.R.V. Rao report).

This leaves maintenance imports. Most of the inefficiencies of the indigenous availability' clearance are associated with this sector of imports. The delays associated with 'indigenous availability' clearance can involve a significant loss of output and economic welfare, if a firm has to wait to obtain some small essential component or spare part for its operations, or else is forced to use an inappropriate domestic substitute.

The recommendation to abolish the requirement of prior clearance of lists of components and raw materials from the point of view of indigenous availability, and instead to make provisions for inspecting the behaviour of importers and reporting units which abuse the facility seems to offer a good solution.[27]

The general conclusions which emerge from the history of India's steel control are that even when distributional controls are necessary to manage short run problems of excess demand for particular industrial products, it is essential to insure that the pattern of production is not distorted and that the long run growth of supply is not jeopardized.[28] When it seems necessary to cushion certain priority sectors from the effects of a general shortage of an important industrial input, and subsidies to enable these sectors to bid for the required supplies are ruled out, a dual price system seems to be the best alternative policy. A part of the output can be pre-empted at a lower price, for the priority sectors, and the rest is left to market forces.

Price controls on industrial inputs have also been used in India to mitigate the effects of the protective system on the cost-price structure of the industrial sector.[29] What are the effects of such controls on productive efficiency? Elementary considerations suggest that, given competitive conditions in the rest of the economy, the closer the prices fixed administratively are to competitive prices the greater will be the general efficiency of the economy. The net effect would be similar to that which would result if competitive imports were allowed. Price control of imperfect markets can therefore be used as an anti-monopoly device in situations where the admission of competitive imports is not feasible or where direct anti-monopoly measures are not likely to be effective or desirable.[30]

In India, the Tariff Commission is the agency used by the Government to fix prices for industrial products. The methods used for fixing these prices, however, vary between industries and do not have an obvious economic logic. Nor does it necessarily improve the situation if the prices of one monopolist are controlled while those of others are not. The buyers would in that case be faced by prices which are poor guides to the costs of the different commodities. Judgments in this field are thus rather difficult. Price controls on coal for instance, have probably improved economic welfare. For in India, as there are limited supplies of high grade coal, it is necessary to charge higher prices for these, to economize on the existing reserves. When coal was decontrolled, collieries sold all grades of coal at the same price, as they wanted to maximize short-run profits, and a higher grade coal would have meant a smaller volume of sales (and short-run profits). But a reduction in the rate of depletion of higher grade coal reserves was socially desirable.[31] On the other hand, price controls on sugar cane and sugar have certainly been inimical to the development of the proper balance between gur and sugar production.

In principle, price controls can aid efficiency in production in monopolistic industries if various other policy measures are ruled out. This, however, requires a rational and coherent price control system. In practice this task has not been attempted, and it is a matter of judgment whether it can in fact be done with the resources of men, time and information which may be available.

The recent measures of decontrol are a recognition that distributional controls should be limited to areas where no other means of allocating resources to priority sectors is available, and secondly, that the use of price controls to mitigate the effects of monopoly on efficiency need to be rationally conceived. It will not be possible to dispense with this instrument, but its use must be based on rational grounds.

4. *Conclusions*

The control system in the past impaired the efficiency of production chiefly through the inflexibilities associated with provisions of the industrial licensing system relating to the diversification of output, and the irrationalities associated with the detailed and comprehensive import licensing of maintenance imports. These measures introduce inflexibilities into the adjustment mechanism by which firms adapt production efficiently in the face of changing economic conditions. Moreover, these inefficiencies are greater the more the pattern of production is sought to be controlled within a given industry. Lacking any criteria for determining whether a marginal increase or decrease in the output of one industry is more desirable than another, controllers had to follow *ad hoc* rules of 'historic' and 'fair' shares in allocating maintenance imports. Ideally, for thé efficient allocation of foreign exchange and an efficient pattern of production, planners need to know (a) the rate at which different outputs can be substituted for each other while achieving given objectives, given planners' preferences, and (b) the rate at which one output can be transformed into another—contracting one and expanding the other—given differing levels of scarce current inputs. It is difficult to see how, with the limited information and time and the current state of the planning art, these requirements can be fulfilled for the myriad of allocations that have to be made at the level of the firm. The task is more manageable at the inter-industry level. Failing better information and administrative resource, allocations within given industries may be left to the market. To the extent that recent movements towards liberalization of controls on the diversification of output and on maintenance import for priority industries are movements in this direction, they are an important and positive reform of the methods of planned development.

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[27] V.K.R.V. Rao Report, *op. cit.*

[28] Government of India, Ministry of Steel and Heavy Industries, *Report of Steel Control*, October 1963 (Raj Report).

[29] In other cases they have been applied to consumer goods to evade a general wage-price spiral. The latter aspect is dealt with in the section on short-run management problems.

[30] For instance, if, given existing home demand, economies of scale can only be achieved if a small number of units operate at the optimum scale.

[31] Of course it can be argued that the same result as that given by price controls on higher grade coal could have been secured by imposing a tax on the use of high grade coal, the only difference being that the desired effect is more certain in the case of direct price control.

The control system also affects the efficiency of production by reducing the degree of competitiveness in the economy. This is largely due to the protective effects of the trade control system, namely the automatic and permanent protection afforded by quantitative restrictions and the requirement that all demands for import licences have to be screened for indigenous availability. Competitive pressures are further lessened by restrictions on free entry which are enforced by the industrial licensing system. It has been argued that whilst it is necessary to increase competitiveness, there is some justification for the 'indigenous availability' clearance even in the case of industries which were set up on mistaken considerations, and certainly in cases where consumers show an irrational preference for imports which are qualitatively, and in terms of price, identical with domestically produced goods. It seems that capital goods import licensing cannot be given up as long as foreign exchange remains scarce and necessitates a precise matching of demand and availability for different forms of 'project tied' foreign exchange. 'Indigenous availability' procedures can be useful in this area as a positive instrument for inducing domestic producers to bring their cost-price structure into line with competing imports.

Indigenous availability considerations seem less suitable for maintenance imports of spares and components. The associated economic costs of delays are likely to be particularly high in these cases.

Distributional controls on industrial inputs, it has been argued, are best given the form of a dual pricing system. Detailed administrative control is likely to lead to the sort of inefficiencies and distortions that have been documented by the Raj Committee on Steel Control.

Lastly, it has been argued that price controls which seek to mitigate monopolistic trends arising from the control system, are both feasible and desirable in designing the controls. It is, however, essential to take account of the relative scarcities of different resources and of the distortions that may arise from controlling one price while leaving another untouched.

IV. *Generation of exportable surpluses*

The inherent bias of the trade control system against exports was probably greatest during the period of export pessimism, till 1957/58. It was much reduced by *ad hoc* subsidization of exports which was given on a scale that grew steadily from 1957/58 to the devaluation of 1966. Though the subsidies were not based on principles of comparative advantage, the highly complex system of import entitlement schemes provided a varying and differential stimulus to exports. Devaluation and the direct export subsidies which followed soon after seem to provide a more rational basis for promoting exports, though the continuing differential rates of effective protection are still likely to deter exports of some industries. Other causes of bias against exports have also not been fully removed. Thus, one of the factors hindering a faster increase in engineering goods exports is the concern of the authorities with the dangers of concentration in industry.[32]

V. *The mobilisation of savings*

Has the Indian control system increased the volume of savings for productive investment above the level which would have been reached in the absence of the controls? No definitive or quantitative answer to this question is possible but certain qualitative considerations seem relevant to the problem.

The control system provides an incentive to investment in general. The trade controls give producers complete and automatic protection. Risks and uncertainties associated with investment in a competitive environment are lessened by the assurance of ready markets and the limitation on entry of domestic competitors into an industry in which the producer has established his licensed existence. The promotional activities of the Government guard the safety and prosperity of industries, directly by the operation of the public sector and indirectly by channelling funds into development banks. Producers who are successful in obtaining all the requisite sanctions can be assured of a fairly high rate of return on their investments. The excess demand for scarce resources such as commercial and development bank credit and foreign exchange attests to this fact and so perhaps may the excess demand for licences even though it is not clear to what extent this was an effective demand.

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[32] Of the myriad of items exported, twelve main industries account for the majority of engineering goods exports and in these twelve industries 80 per cent of the exports are done by about 150 firms. One must accordingly expect a large part of the future increase in engineering goods exports to come from these firms. Since export profits are normally well below profits from domestic sales these firms may not wish to expand exports unless they are also allowed to increase domestic sales. They are, at least, likely to use this difference for bargaining. Larger domestic sales would tend to raise their share of industry output and thus conflict with official policy against concentration in industry. In this situation, an increase of exports might require either increased subsidies or continued restraint on the demand for engineering goods. Either solution seems more expensive than supervision by monopoly commissions or taxation.

The net effect of this general incentive to industrial investment has been that savings which might otherwise have been hoarded abroad or in stocks or used in other socially unproductive ways were drawn by relatively high rates of return into the industrial sector. The observed rise in the average and marginal savings rate during the three plans must in part be explained by this factor.

On the other hand, given the excess demand for industrial licences and scarce resources, it can be argued that had it been satisfied actual investment would have been higher. But this is a 'chicken and egg' argument since it might equally well be argued that in the absence of all the controls the resulting uncertainties familiarly associated with a competitive market system would have dampened the demand for investment. There was excess demand for investment, on this argument, because there were controls.

Inasmuch as the various procedural requirements for establishing and operating industries led to delays, the effect of the control system might have been to reduce the volume of investment below what was desired and feasible. Significant delays would undoubtedly have slowed down the tempo of investment. This cost must be set off against the benefits of an increased desire for investment which the control system is likely to have generated.

The efficiency of the realized pattern of investment and production is also relevant to the volume of savings which were, and could be, generated. Given the marginal savings rate, a less efficient pattern of production and investment leads to a lower rise in income and output, and hence a lower volume of savings than would be realized under a more efficient system. The pattern of production and investment has not been as efficient as it could be, because of the irrationalities of the control system. This must have lowered the volume of savings relative to the level that it could have reached if controls had been more efficient. But it is difficult to believe that the volume of savings would have been larger in the absence of the entire complex of activities which make up planned development.

Special measures to promote small scale industries are likely to have raised the volume of savings flowing into the industrial sector. The traditional 'bania' castes have generally been traders. The extensive subsidizing of small scale industries led a large number of these traders to move into small scale industry and then into medium—and even large-scale industries. Apart from the beneficial effects on the supply of industrial entrepreneurship, this also meant that the savings of traditional trading communities were channelled from socially relatively unproductive to more productive areas.

To the extent that the Mahalanobis strategy was enforced, it implied that the planned investment allocation to the investment goods sector determined the actual savings rate. For given that the availability of consumption goods was limited to the domestic supply (imports being negligible during the plan period), the allocation of investment to the consumption goods sector would determine actual consumption. This assumes that if the savings rate which people aimed at was less than the intended and the actual investment rate, there were forced savings. Such forced savings would either result from inflationary pressures generated by an excess demand for the limited supply of consumer goods, or would take the form of the public voluntarily holding excess cash balances. The latter case corresponds to the containment of excess demand for consumption goods by means of price controls and rationing. These alternatives for generating forced savings which do not include open coercion, depend for their success upon the margin of tolerance of frustrated consumers who could always cut back the amount of work they are willing to do. This margin of tolerance is likely to be greater the less organized is industrial labour, and the more surplus labour there is available to industry.

In India during the plan periods, the Mahalanobis strategy was not in fact enforced. The growth of consumption was not kept in the limits laid down by the strategy. Shortfalls from planned targets were, on the whole, less in the consumer goods sector than the investment goods sector. But to the extent that the growth of the investment goods sector did lead to some forced savings, it must have increased the total volume of savings available for productive investment.

Finally, the control system has led to black markets and the generation of large sums of unaccounted money which flowed into non-essential sectors such as luxury housing. To this extent realized savings for productive investment would have been lower than the feasible level.

Having listed the likely effects of the control system on the mobilisation of savings for productive investment, it is less easy to judge whether on balance they increased the level beyond what would have been achieved in their absence. An intuitive judgment is that it probably was higher.

It is even more difficult to assess the effects of the recent liberalization measures on the volume of savings. In 1967, for the first time in Indian planning history, there was a fall in the average rate of savings. But it would be wrong to ascribe this to libaralization. More convincing explanations are found in the continuing industrial recession, the shift in emphasis to agriculture which is not taxed (or taxable) and the possibly lower rate of private savings in agriculture as compared with industry.

There is, however, a danger that if the recent liberalization measures reduce the shelter of home markets, assured home demand, and the general solicitude for industrial producers, less savings may flow into industrial investment. Increased competitive pressures will induce efficiency. It will also throw on domestic producers risks and uncertainties from which they were sheltered in the past. The resulting gains in efficiency may outweigh the costs of a decreased volume of private investment. Given also that excess domestic demand conditions can no longer be maintained, there may be no alternative to an increase in the efficiency of current production and a greater reliance on foreign demand. It must, nevertheless, be emphasized the answers to these questions cannot be given on *a priori* considerations as is occasionally assumed by advocates of liberalization.

VI. *Income distribution*

Equity considerations form and important part of the objectives of the Indian control system. The claims of equity are taken to demand the reduction monopolies and concentration of economic power; the promotion of the interests of small scale producers, and of balanced regional development through a regional dispersal of industries.

1. *Industrial licensing.* Most commentators and official committees argue that the industrial licensing system, in spite of its stated objective of reducing concentrations of economic power and preventing the rise of monopolies, has actually increased the concentration of economic power. The Monopolies Enquiry Commission considered that big business was at an advantage in securing licences for starting new industries or for expanding existing capacity: being in a better position to raise capital there was less risk of their licences remaining unutilized; licensing authorities preferred men with a known record of success and they found it easier to secure foreign collaboration and thus also secured preference at the licensing stage.[33]

The cost of obtaining a licence in terms of the time and money needed to obtain the various sanctions is also alleged to have put the small investors at a disadvantage.[34] The chronological selection of industries, moreover, led to large houses pre-empting and blocking industrial capacity.[35] Finally, the licensing authorities did not consciously favour small businessmen.[36]

Even granting that these were in effect the results of industrial licensing it does not follow that the ensuing concentration of economic power would have been less in the absence of controls, or that industrial licensing could not have been used to reduce concentration.

The conclusion drawn by most observers that the control system on balance increased concentration on the grounds given above is wrong. For unless one assumes perfectly atomistic markets with completely free entry, it is not clear how the absence of controls would in effect have made entry easier. All the factors which are described as having favoured the larger units under the licensing system would have operated as strongly and probably more so in the absence of controls. One of the important effects of the control system as a whole was that small-scale producers, once they did get through the net of sanctions, would thereafter be assured of an adequate rate of return on their investment. They were assured of a share in the market which larger firms could not take from them, and protected by the provisions which prohibited expansion and diversification without obtaining prior sanctions. They were assured of a certain share of scarce inputs such as foreign exchange which were allocated on the criteria of 'historic' and 'fair' shares. Without this automatic protection it is likely that the small firms would have lacked confidence and hence their attempts at entry would have been fewer. Even if they had established productioh they might still have been squeezed out of the market by larger firms. The experience of industrialized economies which do not practice industrial licensing does not suggest the absence of a tendency towards large units. The fallacy lies in implicitly assuming that, in the absence of controls, perfectly atomistic markets with free entry would result. There is a case for arguing that to the extent that a number of small-scale producers did get through the network of sanctions, the concentration of economic power was probably reduced below what it would have been in the absence of controls on investment.

Statistics show that a large number of small and medium sized producers did in fact succeed in getting system. Thus the twenty-eight largest industrial houses obtained between 1959 and 1966 approval for a smaller share of the total investment which they had planned than the rest of the applicants for industrial licenses.[37]

Though it appears that the authorities did not actively favour small-scale over large-scale industries, this is not an argument against the control system. It is an argument against the way in which the system was operated if a reduction in economic power is considered to be an important policy objective. It was certainly feasible to use industrial licensing to favour small-scale units. That it was not so used implies awareness of a trade-off between the economic gains associated with larger units and the social gains from a decrease in the concentration of wealth. This is a familiar dilemma.

On balance, therefore, the licensing system probably reduced concentration from the level which might have existed in its absence, and even though the licensing instrument was not actively used to discriminate in favour of small scale units, it could have been so used. Whether it should have been used in this way raises the familiar problem of equity as against efficiency. The movement away from industrial controls is thus likely to increase the concentration of economic power unless alternative measures (e.g. differential access to credit, direct subsidies to small-scale producers, anti-monopoly devices which seek to keep entry free) can be designed and substituted for the existing controls.

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[33] Government of India, Monopolies Enquiry Commission, Report, (1956), p. 7 ff.

[34] *Ibid.*, p. 141.

[35] Government of India, Administrative Reforms Committee, *Study on Economic Administration*, (1967), p. 19.

[36] Monopolies Enquiry Commission, *Report*, (1956), p. 8.

[37] *Hazari Report on Industrial Licensing*, *op. cit.*, table 13.

As regards promoting the regional dispersal of industry, the Administrative Reforms Committee concluded that the negative purpose of preventing the setting up of new industries in congested areas has been more effectively implemented through licensing than the positive one of dispersing industries to under-developed regions.[38]

But licensing by its very nature could not be expected to act as more than a negative instrument. Clearly it has fulfilled this role.

2. *Trade controls.* There is some evidence that in making foreign exchange allocations to "actual users" the authorities in practice discriminated against the small-scale sector.[39]

Once again, however, this does not imply that the small-scale sector would have been able to get a larger allocation of foreign exchange in a free market. The fact that the authorities did not use the control system to discriminate in favour of small producers does not mean that the system could not have been used for this purpose. Finally, since the big industrial houses and the rest obtained approval for similar proportions of their applications to import capital goods, the bias in favour of large producers may have been exaggerated by observers.[40]

3. *Conclusions.* Contrary to current views, therefore, it seems that the Indian control system has in fact helped to achieve greater equity than would have been possible without it. It is not easy to assess whether alternative price-reliant measures (such as anti-monopoly devices or credit rationing) could be as effective in achieving equity, or more so. It seems plausible that they would need to be buttressed by some of the control measures. The control system could, in principle, increase equity more than it did in India. But once again the economic costs of this must be clearly borne in mind, and must be compared with the cost of alternative policies such as regulation continuous scrutiny of large firms and, possibly, nationalization.[41]

To the extent that the control system reduced the movement towards concentration, the current measures of liberalization will tend to increase it. The recent adoption of measures of selective credit control and the policy of social control of commercial banks should, however, help in containing concentration.

VII. *Short term management problems*

Having considered some of the effects of the control system on factors which determine the pattern and tempo of long-term development, we now turn to the equally important short run management problems which the control system tried to deal with. These relate to the management of demand in circumstances of unforeseen or exogenous fluctuations and imbalances in various sectors of the economy.

The specific problems of the agricultural sector are excluded from this study. Two of the remaining problems of economic management will be considered in this section.

Firstly, there are the problems associated with fluctuations in foreign exchange availability. In this context, the differing pattern of tied aid availability and the varying ratio of tied to free foreign exchange is of importance. Much of the system of trade controls was initially erected to cope with these problems. If policy makers are reluctant to abandon these controls, it is largely because of a mistrust of alternative prescriptions for dealing with the balance of payments in the short run.

Secondly, there are problems associated with excess demand for particular goods, which will be dealt with very briefly at the end.

1. *Managing the balance of payments.* Historically, the existing trade control system has grown out of the need to assure with as much certainty as possible the balance between demand and supply for foreign exchange as a whole, as well as between the component demands and supplies in terms of credits tied to countries and commodities. There can be no doubt that the system of quantitative restrictions and import licensing has kept the supply and demand for foreign exchange within the limits imposed by foreign exchange availability at each point in time. As tied aid credits and foreign exchange made available under bilateral agreements form a significant portion India's total foreign exchange at any point in time and as the mix of these different bundles of foreign exchange is likely to be changing in composition and volume, any alternative to the actual system would have to provide for equating the demand and supply for each of these bundles.

It furthermore appears that while many policy makers are well aware of the inefficiencies associated with the existing system of quantitative restrictions and import licensing, they still see no alternative if a balance is to be maintained with certainty between the various demands and supplies of foreign exchange.

The need for such a balance is unquestionable in view of the slender foreign exchange reserves. This may be an argument for holding much larger reserves if the fluctuations in foreign exchange availability are genuinely temporary and do not represent a long-term imbalance between the demand and supply of foreign exchange. But the level of reserves necessary to provide the same degree of certainty as a system of quantitative restrictions may be so large as to require a lowering of the immediate and medium-run growth rate. The economic costs of a less efficient pattern of production and investment have to be compared with the economic benefits of a higher rate of growth than would be possible if greater reserves were to be kept.

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[38] Administrative Reforms Committee, *op. cit.*, p. 18.

[39] Government of India, Mathur Committee Report on the Import and Export Trade Control Organization (1965), p. 14.

[40] Hazari Report, *op. cit.*, table 13.

[41] Cf.Mahalanobis Committee on Distribution of Income and Levels of Living (1964), p. 35.

Another alternative for ironing out short-term fluctuations in the balance of payments, given slender reserves, would be to alter income. Governments are understandably reluctant to carry out deflation as it reduces not only current income and employment but also the prospects of long-run growth, inasmuch as the volume of savings and the incentive to invest will suffer.

Quantitative restrictions might be replaced by price-reliant policies such as devaluation or a uniform variable tariff. A variable uniform tariff should, in principle, be able to keep the aggregate demand for foreign exchange within the available supply. But in view of the difficulties of calculating short-run demand elasticities in foreign trade, such a measure is likely in practice to leave the aggregate value of imports and their sectoral distribution rather unpredictable. This alternative will therefore appear to be rather risky to policy makers working with small foreign exchange reserves. A uniform tariff could not, in any case, be relied on because of the need to balance demand and supply for different kinds of foreign exchange. Neither could differential tariffs on different commodities achieve the necessary balance. For it is necessary to discriminate by sources and not only by commodity in order to achieve balance between differing demands and supplies of foreign exchange. The existence of country-tied aid demands multiple exchange rates either explicitly in the form of exchange anchors, or implicity as under a system of import licensing. This complication is, in practice, one of the chief reasons why it is so difficult for India to dispense with direct import controls and import licensing.

A further alternative which has been suggested is a system of exchange auctions. They would automatically equate the demand and supply of foreign exchange in the aggregate and in its source mix. The pattern and price of imports within the various foreign exchange bundles would be determined by the market and the system would correspond to a system of flexible, multiple exchange rates. The disadvantage of flexible exchange rates for a developing country is that they make the price level of imports unpredictable within a wide range. In India nearly all imports are inputs into production and unpredictable import prices may play havoc with the whole structure of domestic prices and costs.

An acute policy problem thus faces the authorities. Quantitative restrictions have undesirable effects on allocative efficiency, but they certainly limit the demand for foreign exchange to the available aggregate in any period and to the proportions of the bundles of tied aid in the total. Price reliant methods would reduce the inefficiencies associated with quantitative restriction but would either not provide the certainty of balancing the demand and supply of foreign exchange in the aggregate and in terms of the composition of tied aid credits, or if they provided this certainty it would be at the cost of making domestic import prices unpredictable.

Given these various constraints on short-run management policy in India—and they are not altogether specific in India — alternatives to the system of quantitative controls will have to be sought in dual pricing arrangements. Conceivable alternatives of the kind which have been discusssed in recent years, especially the Kaldor proposals,[42] would have to take realistic account of the complication of aid tied in various ways. They would, presumably, have to start from the principle that foreign exchange which is specifically tied to particular projects by donors will have to be allotted administratively. The decisions relevant to it form part of the general choice of tied aid projects. This leaves annually varying amounts of foreign exchange to be allocated amongst the large number of competing claimants. Part of the exchange is free, and part is to be spent in prescribed volumes in particular countries and sometimes also on specified commodities.

A dual pricing (or dual market) scheme would provide for the receipts from traditional exports (or exports with a stagnant demand) to be sold at an official rate of exchange at which priority imports could also be bought. All other foreign exchange transactions — the sales of receipts from non-traditional (or price and supply elastic) exports and the purchases on account of non-priority imports—would take place in a free market in which the Government might sell or buy either at the market price or at other prices by means of pre-empting foreign exchange earned by exporters. These schemes leave open a variety of questions, not least that of matching inconvertible varieties of foreign exchange (tied aid) with demand. This might be achieved by selling to priority importers, at the official rate of exchange, foreign exchange composed in the proportions in which it is available, the importers being then at liberty to trade in these varieties. The resulting multiple exchange rates should be as stable as the composition of national receipts of foreign exchange. An inducement would also be provided, within the priority sector of importers, to economize on the scarce varieties of foreign exchange since their price would be relatively high. Such a scheme would reflect the inconvertibility of much foreign assistance, it would relieve the administration of the need to allocate different kinds of foreign exchange over the entire economy, and it would utilize the price mechanism in different sectors of exports and imports, even though it might not achieve a fine resolution of the inconsistencies between market prices and shadow prices or different shades of priority.

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[42] N. Kaldor, "Dual Exchange Rates and Economic Development", United Nations *Economic Bulletin for Latin America*, November 1964.

In the absence of schemes of this type, there seems to be no escape from import licensing as long as it is considered necessary to regulate the aggregate demand for foreign exchange both in total volume and in its composition, with certainty.

2. *Controlling the excess demand for commodities.* The effects which price and distributional controls on commodities exert on the pattern of production and on income distribution have already been discussed. The question remains whether these controls were (or can ever be) sufficient to control prices of commodities which are essential in consumption or production.

It is commonly believed that in the absence of rationing, price controls of commodities for which there is excess demand cannot be enforced. A gradually increasing black market will thwart any attempts at controlling prices. The experience of the wartime economies of the United States and the United Kingdom, however, shows that price control did work in the case of a number of unrationed commodities.

The main reason for this is that most industrial markets are imperfectly or monopolistically competitive markets, "characterized by small number and are subject to an informal control by the seller which is frequently the effective equivalent of rationing."[43]

Furthermore, the policing of price controls is relatively easier in markets with small numbers than the large atomistic markets of perfect competition. The tendency for prices in imperfect markets to be inflexible and to some extent institutionalized also facilitates price control. The position is completely reversed if perfectly competitive conditions prevail in the controlled markets.

Thus in principle, price controls in imperfect markets are likely to be relatively easier to enforce than those in competitive markets, where direct operation on demand by some form of formal rationing may be essential if the controlled price is to be made to stick.

These considerations immediately show up the difficulties in enforcing price controls on the kind of commodities that have been attempted in India. Cement, coal and cloth are industries where the number of buyers and/or sellers is likely to be large. Black markets are therefore likely to encroach increasingly upon the controlled sector. Even for a commodity such as steel, where in principle price control should be relatively more effective, the Raj Committee found a flourishing black market.

Short-run shortages of particular goods must nevertheless remain an unavoidable by-product of attempting to achieve the economy's full growth potential. To cushion certain priority sectors against the resulting price rises, dual pricing policies would again seem to be the best alternative. The priority sectors would get pre-empted supplies at controlled prices and the remaining consumers would have to obtain supplies on a free market.

3. *Conclusions.* The importance of short-run management problems and the need in particular to tackle the balance of payments problems with certainty present a latent obstacle to reforms of trade controls that may be desirable in the interests of development. Dual pricing schemes may allow the balance of payments to be managed with certainty and without seriously jeopardizing allocative and productive efficiency in a planned economy. Failing some such scheme, direct controls, including rationing in conjunction with price controls, seem to be unavoidable as long as short-term stability has to be maintained. Stability can be achieved at various levels of income, employment, and rates of growth. Price-reliant policies for achieving short-run stability with certainty (e.g. the cure of external payments deficits by deflation) are likely to lead to a lower level and rate of growth of income and employment than if this stability is achieved by direct controls. The losses on account of decreased efficiency if direct controls are used may be offset by gains in terms of a higher level of resource utilization than may be possible under a more liberal regime. Dual pricing schemes may allow stability and relative efficiency to be achieved simultaneously. In the absence of such policies, either the movement to liberalization will be reversed in the face of short-run imbalances, or else stability at a lower level of resource utilization but in a more liberal scheme will have to be accepted.

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[43] J.K. Galbraith, *A Theory of Price Control*, Harvard, 1952, p. 10.

Chapter III

Control and Liberalization in Pakistan

I. Controls on Investment

1. *The evolution of the system of control*

To 1960

From 1948 to 1956, industrial development in Pakistan was supervised under the "Development of Industries Control Act 1949".

Private investment was allowed practically throughout industry. There were a few exceptions of production that was to be reserved for the Government.[1] Twenty four industries[2] had to be registered with the central Government's Department of Investment Promotion and Supplies (IPS), and to be licensed by the central Government if the project was to set up a new industry likely to employ more than 50 persons, or to extend existing undertakings so as to employ more than 50 persons. The remaining industries were supervised by the provincial governments.

The other main instrument for regulating private industrial investment was control over the distribution of foreign exchange.

In 1956, the controls over industrial development were transferred from the centre to the provincial governments of Pakistan's western and eastern wings.

1960-1963

The most important step to liberalize investment controls was the introduction of the Industrial Investment Schedule in 1960 (IIS). It was a detailed guide for private investors, Pakistani and foreign, who wanted either to set up new units or to expand existing ones. The schedule covered 107 industries (or items) for both provinces. For each industry the schedule set forth capital outlay targets and ceilings, distinguishing domestic and foreign currency outlays.

Designations of authorities and institutions in Pakistan

In the normal usage in Pakistan, institutions which are important to the present study are referred to by their initials. This may confuse readers unfamiliar with the institutions. The present study therefore refers to such institutions by designations, printed in italics, which are taken from the full titles.

Designation	Name of institution	Initials
Controller	Chief Controller of Imports and Exports	CCIE
Co-ordination	Central Investment Promotion and Co-ordination Committee	CIPCC
Credit Corporation	Pakistan Industrial Credit and Investment Corporation	PICIC
Development Bank	Industrial Development Bank of Pakistan	IDBP
Exchange	Foreign Exchange Committee	FEC
Investment Schedule	Industrial Investment Schedule (1960)	IIS
Priority List	Priority List of Industries of Comprehensive Industrial Investment Schedule (1965-1970) issued in June 1968	PLI
Promotion	Department of Investment Promotion and Supplies	IPS
Revised Schedule	Revised Industrial Investment Schedule (1963)	RIIS

The targets were meant initially for the entire plan period (second plan, 1960-1965). In fact, however, the investment demand and available resources had been greatly underestimated. Already by the end of 1961 the investment ceilings had been reached for most industries and a revised schedule (RIIS) was issued in February 1963.

Together with the decentralization of decisions on investment proposals to the provinces, the provincial industries departments were also allocated foreign exchange for "cash licences", to be allocated by the provinces.

Public capital inflows (foreign aid and grants) were disbursed by two development banks, the Pakistan Industrial Credit and Investment Corporation (PICIC) and the Industrial Development Bank of Pakistan (IDBP).[3]

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[1] Arms and ammunition, generation of hydro-electric power, and manufacture of railway wagons, telephones, telegraph and wireless apparatus.

[2] Listed in the Schedule to the Development of Industries Act 1947.

[3] This agency grew out of the former Pakistan Industrial Finance Corporation, in 1961.

By 1960, therefore, the central Government's role in industrial development was, firstly, to determine the investment targets for the two provinces, the provincial shares being then allocated by the provincial industries departments. Secondly, it was to have sole responsibility for the development of industries concerned with defence, petroleum, oil and nuclear energy, and enterprises which were wholly or partially owned by the central Government or the two provincial industrial development corporations.

The main features of the sanctioning procedure during the period of operation of the *Investment Schedule* (1960-1963) were three:

(1) Units which were based entirely on domestic machinery and raw materials did not require any prior permission.

(2) For all other industries, the *Investment Schedule* determined whether or not permission would be given. If the scheduled ceilings had not been reached, investors had to approach one of the two development banks or the provincial industries department for foreign exchange, and this, if given, meant permission to set up the new unit.

(3) To set up industries which required foreign collaboration or were not covered by the *Investment Schedule* or for which the schedule's allocations were exhausted, central permission from *Promotion* was required and was given on approval by a Central Permission Committee.[4] Once this sanction was granted the applicant was automatically given foreign exchange (and a rupee loan if necessary) by the *Development Bank* or *Credit Corporation.*

1963 - 1965

The *Revised Schedule* of February 1963 covered 114 industries. These were in two categories:

(i) Industries for which *Promotion* was able to estimate allocation targets for the remaining period of the Plan and for which monetary provisions were made in the *Revised Schedule*, and

(ii) Thirty-six "specific" industries, for which no specific provision was made as the necessary investment was to be determined only after detailed study and investigations. These industries for which the schedule could not make specific allocations because their requirements had not been investigated in 1963 included many items of mechanical and heavy industry: fertilizers, oil refining, soda ash, boilers, pipes, steel rerolling, pumps and cement.

The role of the central *Promotion* was much greater than during the period of the *Investment Schedule*. Virtually all the cases were referred to the Central Permission Committee,[5] where of the eleven members only two represented the provinces. During the period March 1963 to March 1965, *Promotion* sanctioned investments in "specific" industries worth Rs 30.3 million and Rs 957.9 million for East and West Pakistan. For industries for which targets were set in the schedule investments worth Rs 542.4 million and Rs 671.8 million were sanctioned for the eastern and western wings of Pakistan respectively.

Furthermore, as regards the chief means of obtaining foreign exchange[6] the discretion of the provincial governments was limited to one relatively minor category: allocations from the central Government's own reserves. Central government sanction was needed to obtain exchange from all other sources.

Under the *Revised Schedule*, the responsibility for sanctioning investment was distributed mainly according to industry and the source of foreign exchange that was to be used. There were, firstly, the industries for which monetary provisions were made in the schedule, and where the ceiling had not been reached. These were sanctioned by *Promotion* if the investor was using foreign collaboration or direct foreign loans. In the absence of such financing arrangements, the applications were made to the *Credit Corporation* or *Development Bank*. In both these categories *Co-ordination* had to approve.

Alternatively, the provinces could sanction on the basis of their "cash allocations" made annually by the centre to the provinces.

The procedure was easiest for investors who used bonus vouchers to make imports, and who needed no formal permission but only a clearance certificate from *Promotion*. This freedom was rather irrelevant because the use of bonus vouchers would have involved a premium of over 150 per cent of the value of the imported machines.

Secondly, "specific industries" required approval by *Co-ordination* before any finance could be sought from the *Development Bank*, the *Credit Corporation* or industries department.

Thirdly, industries not mentioned in the schedule, and those for which allocations in the schedule were exhausted, were only sanctioned after scrutiny by *Co-ordination*. For investments above Rs 2.5 million, the matter was also referred to the National Economic Council, the supreme economic policy making body.

Lastly, as before, industries which were based entirely in domestic machinery and raw materials did not need any official permission.

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[4] Which was in 1964 converted into the Central Investment Promotion and Co-ordination Committee, (CIPCC).

[5] Since 1964, the Central Investment and Co-ordination Committee.

[6] Through
(i) *Credit Corporation* and *Development Bank*.
(ii) foreign nationals and agencies
(iii) foreign investment
(iv) deferred payments on 'pay as you earn scheme' through which investors purchase their machinery on credit from abroad and pay for the same from their export earnings.
(v) Bonus vouchers
(vi) Government's own foreign exchange reserves.

1965 - 1966

In November 1965, the first phase of the Industrial Investment Schedule for the third plan period (1965 - 1970) was announced. This Hard Core Schedule, as it came to be called, was issued after the war with India, and listed investment targets for sixty-three priority industries. Certain reservations had been made in the investment targets of the Hard Core Schedule to provide opportunities for small industries[7] and a schedule for small and medium scale industries was issued soon after the Hard Core Schedule for the small industries sector.

By March 1966, four months after the issue of the Hard Core Schedule, the sanctions issued under it amounted to about 17 per cent of the total provision and investment targets for seven industries in the Hard Core schedule and eighteen industries in the small industries schedule were exhausted in the western wing. In the eastern wing, three sectors in the Hard Core schedule and two in the supplentary schedules had been fully booked up. Some of the applications to the various sanctioning authorities could not be processed either because provisions in the schedule had been inadequate or had been exhausted or because entrepreneurs were showing enthusiasm for sectors which had not figured in the Hard Core schedule.[8]

A Comprehensive Industrial Investment Schedule for the third five year plan was therefore issued in April 1966. It listed targets for 200 industries, and the relative shares of investment allocations of the two provinces. It also included separate schedules for small scale units.

Sanctioning procedures under the *Comprehensive Schedule* underwent further liberalization since the financing institutions were given full freedom to implement the schedule without having to refer any project to the government. They were merely "advised to ensure" that credit facilities should be placed increasingly at the disposal of newcomers and small and middle class investors.

The Central Investment Promotion and Co-ordination Committee of the Investment Promotion Bureau (*Co-ordination*) was made the principal organ of the Government for co-ordinating the private sector industrial programme.[9]

Approval of the Government through *Co-ordination* was required for setting up industries with foreign private investment, including technical collaboration, foreign private loans, bonus vouchers and "pay-as-you-earn" schemes; and similarly for industries not listed in the schedule.

As regards diversification of output by existing units, provided they were in the schedule, no special sanction was needed and the provincial governments could clear the proposals. Only where a sharp departure from the approved lines of production was intended or a large liability for raw materials and component imports was likely to arise, special clearance by *Co-ordination* would be required. All "reasonable proposals" were to be encouraged.

Industries based exclusively on locally made plant and machinery and indigenous raw materials remained free of any sanctionary requirement. It was, however, laid down that the investors must inform the provincial governments and the Investment Promotion Bureau of production capacity and items of manufacture.

1968

Two years after the issue of the *Comprehensive Schedule*—in March 1968—some 39 per cent of its total investment provision had been taken up, the disturbance of a war and an aid stop notwithstanding. But only 25 per cent of this private investment had been utilized in the eastern wing of the country, instead of the 46 per cent envisaged by the third plan. In June 1968, after a review of the balance of payments position including, presumably, the reduced prospects for foreign assistance, priorities were established within the *Comprehensive Schedule*. The list included ninety industries, selected on the criteria accepted in the revision of the third plan.

Industries were given priority if they would quickly improve the balance of payments "and give optimum return on investment"; greater emphasis was laid on exports as distinct from import saving, consistent with price stability at home; existing capacity was to be used more fully; the net recurring foreign exchange liability arising from new capacity was to be as low as possible; the inter-provincial disparity was to be lessened, unless this conflicted with the objective of greater exchange earning and exchange saving.

The industries thus selected were in three groups: eighteen export oriented industries, thirty-one "agro-based" and service industries and forty-one import substitution industries.

Sanctioning under the *Priority List* is, firstly, to ensure that investment during the last two years of the third five year plan is channelled into the priority industries.

The expansion of existing capacity is to be preferred over the establishment of new units. Better utilization of existing capacity is given preference over the creation of new capacity by providing explicitly for balancing and modernization requirements of industries in the priority list and in some cases limiting the provision to such requirements.

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[7] Small units being defined as those with an investment of Rs 500,000 or less excluding the cost of land.

[8] Government of Pakistan, *Comprehensive Industrial Investment Schedule for Third Five-Year Plan Revised* (*1965-1970*), Karachi, 1966, p. IV.

[9] "The Committee which has the Minister of Industries as its Chairman, meets almost every month under the chairmanship of the Vice-Chairman *Promotion*. It now comprises Additional Chief Secretaries (Development) and Secretaries Industries of the two provincial governments besides the managing directors of the two financing institutions *Credit Corporation*, and *Development Bank;* Vice Chairman, Export Promotion Bureau; Director General, Defence Production; Chief of Industries, Planning Commission; Controller of Exchange, State Bank of Pakistan; and Join Secretaries of the Ministries of Finance and Commerce", *ibid*.

No prior or final approval of the central Government will be required for any of the priority industries "except where so indicated in the list itself". These exceptions, however, are important. Except for west Pakistan cement which is classified as an agro-based industry (and requires clearance by *Promotion*) the exceptions occur in the import-substituting industries. They affect twenty-nine out of the forty-one industries in this group, including most chemicals, iron and steel, heavy engineering and electronics. Such projects normally require approval by the Economic Co-ordination Committee of the cabinet.[10] In other respects as well, the *Priority List* of 1968 indicates an abridgement of the freedom of choice which private enterprise was allowed by the system of the Comprehensive Schedule. Cotton spinning has a minimum number of spindles prescribed for it; tanning and curing cannot be developed on a small scale; spooling and theadball manufacturing or hosiery and knitware must only use local raw materials; no sophisticated types of biscuits are allowed and new capacity for cigarettes must produce only "cheap quality cigarettes".

As regards projects outside the *Priority List* but within the earlier Comprehensive Schedule, they will require clearance by *Co-ordination* if based on indigenous raw materials, "provided there is balancc of provision in the schedule". If requiring imported inputs they must pass the stiffer test of the Economic Co-ordination Committee of the Cabinet.

The financing institutions have been directed for the first time to use uniform investment criteria in selecting projects. The criterion to be used for all tradable goods is domestic cost per unit of foreign exchange saved or earned. For non-tradables, the costs and benefits are to be calculated after adjusting the price of imported inputs by using a shadow exchange rate of Rs 3 to $1, instead of the official rate of Rs 4.8.

Criteria used by sanctioning authorities

Four criteria are used—presumably to serve an equal number of objectives—in granting sanctions to potential entrepreneurs:

Firstly, the size of the foreign exchange component of the investment. Preference is given to projects which use domestic raw materials and capital goods. The sanctioning authority often insists on the use of a minimum proportion of domestically produced components within a specified time.[11]

Secondly, the extent to which investment will be import substituting and/or export-oriented. This consideration is used especially for industries outside the investment schedules.

Thirdly, preference is given to location in the under-developed regions.

Lastly, sanctioning is used to discourage the progress of concentration, which really means the accumulation of further industrial assets by the great entrepreneurs.

2. *Extent and nature of liberalization*

The liberalization of investment controls can be dated from the introduction of the Industrial Investment Schedule of 1960. The most important feature of this liberalization, and one which has persisted, was the abandonment of control over industries which were based entirely on domestic machinery and raw materials. As nearly all industries in the earlier phase of Pakistan's development were based on some imports of intermediate or capital goods, this measure did not imply any great loss of direct central control over private sector investment decisions. With the recent growth of domestic production of capital and intermediate goods, this freedom may now remove a progressively larger section of industrial investment from the network of investment controls. Till the introduction of the *Comprehensive Schedule* in 1966, producers relying entirely on indigenous materials and equipment did not even have to inform any government agency of their intentions. Thus even the basic data for controlling this category of investment were lacking until then.

For all other industries the liberalization measures meant, firstly, decentralization of sanctioning powers to the provincial governments and the investment banks and, secondly, a changing mix of simplifications and stringencies in the sanctioning procedures. Whenever procedures were simplified new powers of decision passed into the hands of the financial institutions. In the inverse movement, powers went back to the central Government.

Decentralization of administrative decisions does not necessarily enlarge the freedom of producers to set up industries out of line with the central Government's wishes. The various investment schedules and priority lists and their attendant procedures specifically lay down the limits of discretion open to the delegate authorities. The latter's freedom of action relates mainly to selecting different claimants for investment sanctions within given investment targets, and not to determining the pattern and volume of investment in different industries.[12]

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[10] This comprises the ministers of finance, industries, commerce and planning (i.e. the Deputy Chairman, Planning Commission).

[11] C. Durrani, "The Pattern of Private Industrial Investment in Pakistan during the Second Five Year Plan Period (1960-65)", *Research Report*, No. 54, P.I.D.E., May 1966.

[12] "At best only one third of potential investment came under the liberalization provisions of the new investment schedules. Even for this third it was still necessary to obtain approval of a government or semi-government agency.", G. F. Papanek, *Pakistan's Development*, Harvard University Press, 1967, p. 135.

In general, the liberalization of investment controls meant that the control of investment decisions was increasingly linked to the allocation of foreign exchange at fixed exchange rates. Control was thus relinquished over all investment that had no foreign exchange component, or which was financed by export bonus vouchers.

3. *Effects of Liberalization*

To what extent have liberalization measures been conducive to implementing the pattern of investment set out in successive plans? Before answering this question it is important to ask whether the targets which were set were realistic, and if so on what basis they were derived.

It seems that the investment targets laid down in at least the first investment schedule (relating to the second five-year plan) were not based on any detailed or clearly formulated plan. Input-output experiments began about 1964 in the Planning Commission. Pending the type of information which that technique provides, the relationship between different investment and production targets had to be guessed at; similarly for the demands for different types of goods that would arise from certain growth targets.[13]

Furthermore, during the first thirteen months of the second five-year plan, sanctions were issued to cover the total allocations in the investment schedule for the whole plan period. Actual sanctioning ran constantly ahead of any phasing that would have been proportional to the period covered by the allocations. Demand was thus underestimated. Where protection was sufficiently high, bonus vouchers may have been used to import machinery and there was insufficient co-ordination between the agencies which effectively licensed. If targets are exceeded this may be evidence of success of planned development. But it is extremely difficult to judge how far industrial investment after the liberalization measures was channelled into a *planned pattern*. The difficulty is partly due to the practice of setting the level of allocations in the schedules well above the plan targets for (private) investment: presumably to give the flexibility which seemed necessary in view of the insufficient information available to the planners and also to cater for price increases and the frustration of some licensed projects.[14]

It has been suggested that "even for the limited investment covered by the schedules, the Government's purposes were achieved only in part. The regional distribution of investment remained skewed... There were great disparities between the planned schedule and actual sanctions with respect to different industries ... Some investments considered very desirable by the Government were not taken up for several years.[15]

The imbalance between targets and results was particularly marked in the deficiency of chemicals, petro-chemicals, machinery and non-metallic minerals or the excess of food manufactures and other consumer goods. Very much of the imbalance appears as an imbalance of provincial performance. The objectives of distribution of capacity between the provinces were thus not fulfilled. But the relation between the objective of provincial parity and the location which is optimal for economic yield cannot be established except by detailed research. Similarly named items may also have been rather different when produced in one province rather than the other. It is thus difficult to say whether the failure to achieve a certain provincial distribution of industry implied a divergence from other plan objectives as well.

As regards the effects of the liberalization measures on other economic variables the economic cost of delays are likely to have been similar to those in India. The extent of liberalization has not been extensive. After liberalization, the absolute lag between application and sanction remained very long: it was estimated at two years.[16]

Intra-industry allocations seem to have been determined till recently on "*ad hoc*" principles. The recent introduction of an explicit investment criterion to screen investment will aid rationality in this sphere. Till this is asserted, differences in the intensity and range of investment controls cannot be treated as very significant for the efficiency of investment.[17]

Industrial concentration, again, is unlikely to have been furthered by liberalization. The big capitalists were in all probability insignificantly restricted by the preceding system of stricter control. They had an extensive and powerful organization to deal with the officials.[18] Liberalization is unlikely to have either dissolved their power in a flood of competition from equals in financial power and connexions, or to have heightened it. Concentration requires specific policies such as have recently begun to be introduced in industrial sanctioning procedures.

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[13] cf. Government of Pakistan, *Report of the Committee on Economic Controls*, July 1965, p. 30. This report is still unpublished.

[14] The third plan, for example, provided for private investment of Rs 8,300 million. The Hard Core Investment Schedule for the first phase of the plan provided for investment of Rs 3,522 million, and the Comprehensive Investment Schedule for Rs 10 164 million.

[15] G. Papanek, *Pakistan's Development*, Harvard 1967.

[16] Durrani, *op. cit.*, p. 18.

[17] A recent study suggests that the real value added in many of Pakistan's manufacturing industries has been negligible and in some cases, negative. The real value added is found by evaluating all outputs and inputs at "international", rather than distorted domestic, prices. See Ronald Soligo and Joseph Stern, "Tariff Protection, Import Substitution and Investment Efficiency", *Pakistan Development Review*, 1965, and S. Lewis and S. Guisinger, "*Measuring Protection in a Developing country: the case of Pakistan*" Harvard University Project for Quantitative Research in Economic Development, memo. 20, Dec. 1966.

[18] Papanek, *op. cit.*, p. 63.

Since 1960, the pace of investment activity has been fairly rapid. During the period 1950-1955, domestically financed investment as a percentage of GNP (in constant prices) is estimated to have increased from 1.2 per cent in 1949/50 to 6.5 per cent in 1954/55. This ratio stagnated during the subsequent period 1955-1960 and was at 7.6 in 1959/60. In 1964/65 it stood at 9.6 per cent.[2] But a comparison of estimates of total private investment and private investment in large scale industry at various dates shows no evidence that the pace of investment in industry was markedly effected by the liberalization measures after 1959/60. Between 1949/50 and 1954/55, the level of total private investment rose about 2.1 times, whilst investment in large scale industry rose about 3 times. From 1954/55 to 1959/60, total investment rose about 2.5 times and investment in large scale industry rose by a factor of 2.0 from 1959/60 to 1964/65, total investment rose about 2.3 times and investment in large scale industry by a factor of about.[19]

The relatively stagnant economy and industrial sector began to grow very rapidly after the liberalization measures of 1959/60. May one conclude that this high rate of growth was in part due to the liberalization of investment controls? This view, based on such evidence, is not easy to support. Until the middle 1950's, the main thrust of industrial growth in Pakistan was in developing a number of light industries using indigenous raw materials and catering mainly for domestic demand. Till 1956, growth rates of about 20 per cent and more were achieved in most years. Simultaneously a number of industries using imported intermediate goods were also being developed, and by 1954/55 their share was nearly one-quater of the value added in manufacturing industries. By 1959/60, it had risen to over one third of value added. The declining availability of foreign exchange in the late 1950's affected their rate of growth, and, because of their increasing weight in industrial production, the over-all growth rate as well. From 1956, when declining export earnings made it difficult to meet the import needs of these industries, the industrial growth rate declined sharply to about 5-7 per cent per annum, 1959/60 witnessing the lowest growth rate in Pakistan since 1947. The subsequent increase in imports which accompanied the increased foreign exchange availability of the liberalization package gave the necessary stimulus to the growth of the industrial sector.

Investment controls did not, on the face of it, have important economic effects on the pace or pattern of investment before 1959/60. The subsequent liberalization was not, perhaps, as far reaching as is sometimes supposed. If this view is accepted as being borne out by the preceding account, it follows that one must not look for large effects of the liberalization of investment controls on the economy of Pakistan. The basic regime of the Pakistan economy and its policy is a factor apart. So also is the increase in the supply of foreign exchange for industrial investment which occurred together with the liberalization of investment controls, early in the period of the second plan.[20]

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[19] Papanek, *op. cit.*, p. 195.

[20] "The revised procedure together with the liberal availability of foreign exchange for industrial investment led to a sharp increase in industrial activity and the over fulfilment of the second plan targets for the industrial sector" (Government of Pakistan, *Report of the Committee on Economic Controls*, *op. cit.*, p. 10).

II. Trade controls

1. *Evolution of the system of control*

The history of trade controls in Pakistan falls into three phases: (1) 1950-1952, (ii) 1952-1960, (iii) 1960-1968.

(i) Before 1950, Pakistan operated a trade control system inherited from the Second World War. The Korean boom of 1950 boosted the country's foreign exchange resources and permitted a considerable measure of liberalization of imports. A very free open general licensing system allowed the free importation of almost all capital goods, raw materials and consumer goods.

(ii) In 1952, falling export earnings due to low prices of jute and cotton caused a serious foreign exchange crisis. Import licensing was introduced, the total value of licences and their allocation to commodities and importers being determined for every half year.[21]

Import licensing systems were established separately for government imports, for capital imports for industry and, lastly, for consumer goods, industrial raw materials and spare parts. The procedures established for the first two categories have remained unchanged. It is the changes in the last which represent import liberalization in Pakistan.

(iii) Liberalization began in 1959, with the introduction of automatic licensing and the Export Bonus Schedule. "Open General Licensing" for certain goods came in 1960. In January 1964, four items of iron and steel were placed on the free import list. Open General Licensing and the original free list disappeared in 1967.

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[21] "There were a variety of alternative methods for limiting imports, as for example, a general or selective increase in tariff rates, an import surcharge, a foreign exchange tax; but the decision was made to introduce a system of import licensing, with government determining every six months the total value of licences to be issued and the allocation of licenses by commodity and by importer. The great advantage of this system of detailed control was that it ensured that imports could not exceed a certain value, and in the light of the limited foreign exchange, it gave the government power to ensure the import of those goods that were deemed most essential" (*ibid.*, p. 12).

Licensing had several objectives. It was to keep total imports in line with total foreign exchange availability. It was to maintain fair and stable prices of essential imported consumer goods such as food and medicines. The full utilization of existing industrial capacity and the plan-oriented creation of new capacity were similarly to be assured by import control. Finally, the regional distribution of imported goods was to be controlled.

Licensing procedures

The broadest distribution of foreign exchange is undertaken in the foreign exchange budget prepared annually by the Foreign Exchange Committee. After a prior allocation to private sector import- under the Export Bonus Voucher Scheme the remains der is divided between the private and the public sectors. More detailed allocation to the private sector is then left to the Chief Controller of Imports and Exports.

Public sector imports, ranging from one eighth (1951/52) to over one half (1956/57) of total imports and standing recently at around 30 per cent, are provided for by *Exchange*, which makes allocations to each ministry. Licensing by the *Controller* follows automatically and this procedure has not been altered since the institution of import controls.

Private sector imports fall into (a) capital goods and (b) consumer goods, industrial raw materials and spare parts.

(a) *Capital goods imports* are licensed automatically by the *Controller* as soon as the necessary 'sanctions' for setting up or expanding an industry have been obtained from the relevant investment sanctioning authorities, i.e. *Credit Corporation*, *Development Bank*, *Promotion*, provincial investment directorates or *Co-ordination*. The *Controller* thus exercises no discretion in this sphere, and import licensing is really an adjunct of investment control. This system has not been altered over the years.

(b) *Consumer goods, industrial raw materials and spare parts* are divided into "commercial" and "industrial" imports.

Industrial licences are issued for plant and machinery and for current maintenance needs. The eligibility for raw materials and spares is regulated by quotas which the Provincial Directorates of Industry assign to importers, initially on the basis of surveys of industrial units which began in 1955/56. The quotas express requirements for one shipping period (six months) and the provincial directorates specify in each shipping period the percentage of his quota that the quota holder will be allowed. *The Controller* then issues "regular industrial licences".

In issuing industrial licences, therefore, the *Controller* exercises no discretion.

Commercial licences formed the main way of regulating maintenance and other imports before the beginning of liberalization in 1959. Allocations by commodity and importer were made by a rule of thumb. To become eligible as an importer it was necessary to have imported during the period July 1950-November 1952, when there was essentially free importing under the open general license (OGL) system. For each type of goods that he had imported under the OGL regime, each eligible importer was given a "category" or basic monetary quota equal to his average imports during the five shipping periods between July 1950 and December 1952. The "category" is thus a standardized unit of account. Actual licences are expressed as a certain percentage of the monetary value of each "category". Variation of this percentage is the main instrument at the disposal of the *Controller*, to enforce a liberal or a stringent import policy.

The first steps towards import liberalization were to remedy the obvious defects of such a system, namely its rigidity as regards commodities that could be imported and eligible importers.

Liberalization began in 1960 with *automatic licensing*. For a list of commodities which was laid down in the Import Policy, "category holders" could now get repeat licences as soon as they had utilized their previous licence. Within the limits of the total foreign exchange allocation, the faster an eligible importer used his licences the more he could get.

The amount licensed thus became more responsive to market demand.

Open general licences, reintroduced in 1961, were a more important element of liberalization. In their new form they were intended to facilitate the entry of new importers. Accordingly, the OGL was closed to holders of industrial import licences and to all but the smallest importers under commercial licences. The policy of improving the regional balance of economic activity led to the further exclusion from the OGL of all importers in the big commercial centres. The openness of open general licences was thus related to the eligibility of importers; the *Controller* fixed the goods and monetary limits for each licence for each shipping period.

Gradually an increasing number of items were placed on the OGL but even in 1963 over 90 per cent of commercial licensing was done within the category system.[22]

The free list which was introduced in 1964 is widely considered to be the most important component of import liberalization in Pakistan.[23]

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[22] S.N.H. Naqvi, "Import Licensing in Pakistan", *Pakistan Development Review*, Spring 1964.

[23] Philip Thomas, "Import Licensing and Import Liberalization in Pakistan", *Pakistan Development Review*, 1967.

In January 1964, certain billets, pig iron, tin plate and ships were placed on a free list and could be imported without licence. In the period July-December 1964, forty-seven more items were placed on the list. In July 1965, four more items were added and the shipping period was extended from six months to one year.

The free list is not however totally free. "There are five major restrictions surrounding the free list which relate to (i) who can import, (ii) the geographical region into which the import can come, (iii) the country from which the import must be purchased, (iv) the amount to be imported, and (v) whether particular sub-types of goods can be imported and if so, how much of each" (Thomas). It is hedged with several restrictions. Not every importer nor every region of Pakistan has full access to it, and the country of purchase, quantities and varieties of listed goods are regulated in some instances.[24]

The free list was initially financed by United States aid. During January-June 1964, imports were limited to United States steel. Though a major part of free list imports have continued to be financed by foreign aid, Pakistan in 1965 committed its own foreign exchange earnings to finance twenty-two of the items.

With the withdrawal of licensing control from so imports, greater weight had to be placed on price-reliant measures of regulating foreign payments.

In July 1964, a regulatory duty ranging from 5 to 20 per cent *ad valorem* was imposed on free list imports. Between 1959 and 1963 import duties had risen by about one-third, with increases ranging from 11 per cent on certain processed raw materials to 115 per cent on semi luxury consumer goods.[25] In June 1965 duties on capital machinery imports were raised in the western wing of Pakistan from 12.5 per cent to 25 per cent *ad valorem* and in the eastern wing from 7.5 per cent to 20 per cent.

In November 1965, during the war with India, import duties and sales taxes were raised by a defence surcharge of 25 per cent. The effective tax rate on imports had thus risen by one third between the advent of the free list and 1966 when they stood about 75 per cent above the 1959 level.[26]

Credit controls on imports were tightened in July 1964 by the requirement of a 25 per cent advance deposit with the State Bank upon opening letters of credit, and by lowering to 60 per cent the borrowing margin for free list imports.

The bonus voucher scheme, which was instituted in 1959, provides one of the most enduring elements of liberalization in the Pakistan import control system. Exporters of specified commodities are given bonus vouchers of an amount equal to some fraction of their foreign exchange proceeds (in 1968, 20, 30 or 40 per cent) at the official exchange rate. These bonus vouchers provide a right to purchase foreign exchange at the official exchange rate, and can be traded in an organized market. There is also a futures market in bonus vouchers. The price of bonus vouchers in the free market for these vouchers will thus determine the price of imports falling under the scheme.

The scheme has been gradually expanded. In 1968 almost all exporters of manufactured goods, certain service industries, tourist sales centres, and exporters of Basmati rice earned bonus vouchers for transactions other than re-exports or exports under barter agrements. The import list has grown to include 244 commodity groups, from machinery and raw materials to consumer durables. With few exceptions, items on the free list, the license list or on the cash-cum-bonus list may also be imported at the higher bonus rate of exchange. There are some administrative constraints. Certain items are importable into only one of the two wings of Pakistan and several are importable by industrial users only. A number of bonus imports are also subject to quantitative restrictions.[27]

Variations in the entitlement rate of exporters, and the items allowed to be imported are at the discretion of the *Controller* and are the main tools for stabilizing the price of bonus vouchers, and an important one for regulating imports.

A cash-cum-bonus list was established in 1967, as a half-way house between the bonus voucher system and ordinary licensing. For items on this list, importers are given import licences (entitling them to foreign exchange at the official rate) if their applications are accompanied by 50 per cent of their exchange requirements, in practice by bonus vouchers to that amount. Quotas for industrial users are set at 100 per cent of their half-yearly entitlement; those of commercial importers are set by a stated minimum or maximum value of the letters of credit which may be opened. In 1967/68, the cash-cum-bonus list contained 73 commodity groups of which 43 were importable by industrial users only and five were only importable into the eastern wing. In the period July-December 1968, the list contained 94 items, of which 63 were meant to be imported exclusively by industrial importers and 13 into the eastern wing.

Lastly, a system of *export performance licensing* applies to some 143 commodities, including, in particular, jute manufactures. Import licences over and above the entitlement under normal licensing are issued at rates of 2½ to 30 per cent of the f.o.b. value of exports. Advance licensing based on agreed export targets is also practised.

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[24] During the period July-December 1965, the free list consisted of 14 items, one of which—iron and steel — contained 18 sub-items. Of these 32 items 16 could only be imported by industrial users, two (insecticides and fertilizers) only by the public sector, and one by East Pakistan. Six items had further restrictions by the type of industry which was given access to the free list.

[25] Philip Thomas, *op. cit.*

[26] Philip Thomas, *op. cit.*

[27] cf. F.C. Child, "Liberalization of the Foreign Exchange Market", *Pakistan Development Review*, Summer 1968.

2. *Extent and nature of liberalization*

The liberalization of import controls in Pakistan extends to capital goods, but only in the sense that they can also be imported under bonus voucher, performance licensing and cash-cum-bonus, freely or more freely than under licensing but at much higher rates of exchange. Access to the official rate of exchange is subject to licensing. For the remainder, the most important instrument of liberalization has been the export bonus scheme which provides the right to purchase imports at a market-determined flexible price of foreign exchange. The Government's control over such imports depends on its ability to specify the commodities and, especially, the ceilings on quantities to be imported, and to regulate the amount of foreign exchange to be put on the market by determining the percentage of export earnings which exporters are allowed to retain in the form of bonus vouchers.

The licensable list, at the other extreme, provides the most stringent form of control over imports.

The free list and cash-cum-bonus lists provide intermediate degrees of governmental control over imports as compared with the licensable and bonus voucher lists.

To the extent that imports in any one of these lists—licensed, free and cash-cum-bonus—can also be bought against bonus vouchers, the importers can always buy off the control, though at a price ranging between 75 and 150 per cent of the cost of his imports calculated at the official rate of exchange.[28]

Putting the same point in another way, imports coming under the bonus voucher scheme are allocated almost entirely on the basis of a price which clears the market and which has on average been about 150 per cent higher than the official exchange rate. The licensable list at the official exchange rate allocates imports by government rationing. The free list (given the qualifications about the restrictions placed on its 'free' nature) on the whole, provides an elastic supply of foreign exchange at the official exchange rate for the imports covered by it. The cash-cum-bonus list allocates imports partly by direct rationing by the Government and in part by the changing price of foreign exchange in the bonus voucher market.

Thus, in general, there is a fragmentation and compartmentalization of Pakistan's foreign exchange market. It works with a number of different import rates which are likely to vary with changes in the composition of various lists and the foreign exchange made available to different lists at varying prices. On the export side, about 55 per cent of total earnings are converted to rupees at the official rate of Rs 4.75 per dollar. The remaining exports are sold, in terms of rupees, at various rates of exchange, from Rs 6.5 to as much as Rs 12 per dollar.

After 1965, liberalization was partly reversed by a tightening of administrative controls, to counter the disequilibrium caused by a fall in foreign exchange availability after the Indo-Pakistan war. The retreat affected open general licensing, which went into abeyance. The free list was drastically curtailed and the bonus voucher system of imports was increasingly regulated. The introduction of the cash-cum-bonus list in 1967 marked a return to the movement of liberalizing import controls.

The constraints on complete liberalization are similar to those discussed in the Indian case: the need to maintain a certain balance between aggregate foreign exchange receipts and expenditure; the need to balance demand and supply of particular tied aid credits and the desire to reduce uncertainty for investors by maintaining a stable price of imports for a major sector of the economy.

3. *Effects of liberalization*

The effects of liberalization must be sought in the pattern of investment, the efficiency of production, mobilization of savings, generation of exportable surpluses, income distribution, and the management of the balance of payments. They are best discussed by contrasting the experience of the Pakistan economy in the 1950's, the era of controls, and in the 1960's, the period of liberalization.

The pattern of investment is affected by trade controls primarily through the protective effects of control. In Pakistan, import control of capital goods was the main instrument for enforcing the planned pattern of investment. The functioning of capital goods import licensing is thus also of relevance.

In the absence of any liberalization of capital goods import licensing the effects of the existing system on the pattern of investment is exteremely difficult to determine. This is partly due to the nature of planning in Pakistan, which is not as taut as in India. Though investment targets were specified, actual sanctions in both periods rarely followed those in any detail. In the liberalization period, moreover, the essentially negative function of preventing investment from spilling over into undesired areas was apparently not achieved, as is witnessed by the frequent revisions of the earlier industrial investment schedules. In general, it seems therefore, that the question of capital goods licensing as a means of achieving a planned investment pattern, is irrelevant since it is not clear that there were detailed and technically complete plans for an investment pattern which it was considered essential to achieve.[29]

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[28] This was the effect of the Import Policy for the period January-June 1968.

It has been argued that the protective effect of trade controls was to give an incentive to the growth of consumption goods industries at the cost of capital goods and intermediate goods. As against this it has been shown that during 1954-1964, "the rapid rate of growth of large-scale manufacturing has been maintained due to the more rapid growth of intermediate and investment goods industries."[30] The policy of protecting consumer goods industries to a much larger extent than investment and intermediate goods industries seems to have been offset by the enormous excess demand for imports and disequilibrium in the foreign exchange markets.

Moreover, licenses for the import of capital goods and materials for capital goods increased throughout the period of control, 1953-1963, at the expense of imports of consumption.[31] If this trend reflected the attempts of the *Controller* to implement over-all development strategy it suggests that import liberalization in 1959/60 had no stong additional effect on these trends in the composition of imports.

Empirical studies do, however, show that import substitution defined with reference to the proportion of imports in total supply declined sharply in all industries after import liberalization.[32] The drop was greatest in the capital goods industries during the first five years of second Plan period.[33]

This seems to indicate that much of the effect of import liberalization on the pattern and pace of industrial activity is due to the increase in the flow of imports, rather than to consequent improvements in the allocation of resources in the sense of greater reliance on market forces. The latter must have taken place, but it is impossible to quantify its relative weight. The evidence that exists, however, suggests that the main explanation of the high growth rates in industry during the second five year plan must be sought in the increase of imports, rather than in the efficiency effects of a somewhat greater dependence on market determination for allocating those imports. In circumstances of lessening external assistance and increasing intensity of control it seems, therefore, that the former rather than the latter raises the main problem about the maintenance of high growth rates in Pakistan's industries.

The increased volume of imports also gave a greater stimulus to industries which had become dependent on imports of raw materials and components. It is difficult to believe that the dramatic increase in capacity utilization which followed liberalization was not due primarily to the larger available volume of imports, rather than to a more efficient allocation of a given volume.

In general therefore one can conclude that import liberalization, inasmuch as it provided a larger volume of foreign exchange from increased exports and aid receipts, stimulated a rapid growth of industry. It did so at the cost of a high degree of dependence on foreign aid and a low rate of import substitution in the industrial sector, particularly in capital goods industries. The dependence on foreign aid is shown by the gap between Pakistan's own foreign exchange earnings and total payments in foreign exchange. It equalled 3 per cent of gross national product in 1960/61 and rose to 6 per cent in 1964/65. Average gross assistance receipts in 1963 and 1964 were almost equal to export revenue.[34]

As regards the reduction of delays and inefficiencies associated with the administrative allocation of imports, no qualitative evidence is available, but it seems likely, on *a priori* grounds, that the liberalization of procedures and especially the institution of the Export Bonus Scheme must have aided a more efficient allocation of available imports.

Savings and income distribution

The "category" system of import allocation tended to freeze the regional distribution of imports and importers. It was based on performance in the period of the first OGL, when the eastern wing's share of imports and importers was relatively low. During the 1950's, the western wing received two-thirds of total imports and a similar ratio of public and private investment.

Surprisingly, the expectation that import liberalization would worsen this disparity was not borne out. During 1964, the eastern wing received, on average, 40 per cent of free list imports and in the case of iron and steel, it received over one half. "While over-all, free list imports increased 46 per cent, those in the East wing rose 64 per cent."[35]

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[29] "The pattern of growth of manufacturing industries in Pakistan is the result of a set of inter-related factors such as tariffs, quantitative restrictions, industrial licensing and credit policies etc. The priorities in the field of industrial investment which were not very clearly formulated in the early years but which became more articulate in course of time as a part of an integrated over-all plan were sought to be implemented by credit, and licensing policies and partly by direct investments on the part of Government or Government sponsored public corporations. Admittedly these controls and policies did not operate without serious limitations and there were significant deviations from the Government's determined investment schedule on the part of private investors guided as they were by profit opportunities which deviated from the priorities set by the Government." Nurul Islam, "Comparative Cost, Factor Proportions, and Industrial Efficiency in Pakistan", *Pakistan Development Review*, Summer 1967.

[30] S.R. Lewis and R. Soligo, "Growth and Structural Change in Pakistan Manufacturing Industry 1954-64," *Pakistan Development Review*, Spring 1965.

[31] Naqvi, *op. cit.*

[32] Lewis and Soligo, *op. cit.*

[33] For 26 industries analyzed by Soligo and Lewis, import substitution accounted for nearly one-fourth of the increase in output between 1954/55 and 1959/60, export expansion for another one-fourth, and growth in domestic demand for only the remaining one half. In the following five years import substitution became negative, export expansion accounted for less than 5 per cent of the increase in output, and growth in domestic demand accounted for more than 95 per cent. For industries producing investment and related goods the share of import substitution in growth of output fell from 22 per cent in the quinquennium preceding 1959/60 to minus 10 per cent in the period after.

[34] *Economic Survey of Asia and the Far East*, 1966, p. 54.

The "category" system also provided monopoly profits to category holders. Though these were of some importance in financing industrial development in the 1950's some were undoubtedly spent on luxury consumption such as luxury housing. The reduction in these profits as a result of import liberalization will presumably be beneficial.

Generating exportable surpluses

The most impressive result of import liberalization in Pakistan is connected with the institution of the Export Bonus Scheme in 1959. Pakistan's manufactured exports expanded between 1960/61 and 1966-67 by about 15 per cent per year. The scheme has been widely discussed[36] and only a few of its aspects need to be mentioned in this context. It promotes the transfer of import monopoly profits ("quota profits") from the importers to exporters. In so doing, it counteracts the adverse movement of the internal terms of trade of exports which result from protection by taxes or controls. To the extent that the bias against exports was not part of a thought-out development strategy—and it seems certain that it was not—or that exporters saved more than importers (and there seems little reason to take this view) the transfer resulted in a national gain. A recent study nevertheless shows that the joint effect of the export bonus, the export performance licensing procedure, and exemption of taxes on the imported component of exports still leaves the balance of advantage, in the case of many exportable commodities, in favour of sales in the domestic market. One has to conclude that, in spite of the heavy subsidization of exports the structure of tariffs, subsidies and quotas still leaves import substitution with an advantage over export promotion.[37]

The extent to which this balance, or, more simply, the relative size of bonus voucher entitlements is adjusted on notions of comparative advantage remains much in doubt. The system has been in existence for over nine years but the rationale of the structure of bonus entitlements (i.e. subsidies to exports) and the assignment of items of imports to the bonus voucher market of foreign exchange (and importing rights) has not so far been explained. The matter is, of course, complicated by the demands of medium-term planning which are accepted in Pakistan. The possible conflicts between the export bonus voucher system and what one may regard as priorities likely to inhere in Pakistan planning also appear on the import side of the scheme. To provide export incentives there must be import demands. These may be created in the bonus voucher market by various means. One may channel into that market the demand for imports of goods regarded as essential for mass consumption or development. If the users of such imports need to be subsidized to maintain their real incomes or—in the case of development imports—to raise the profitability above the level set by market prices, the subsidy could be given directly. The objection to this course is mainly that the subsidies have to come from public revenue and taxation is difficult in developing economies.

In practice, therefore, such imports were largely kept out of the bonus voucher market and the foreign exchange was obtainable at the low official rate. To the extent that unintended quota profits could be avoided—by agreement with importers or by giving the import licences to the actual users—this met the case for preferential treatment. The remaining alternative was then to channel into the bonus voucher market the demand for other, less essential classes of imports, and this was the basic practice. If strict quantitative restrictions had been kept on these imports, including the banning of some, it would still have been possible to transfer some of the quota profits from importers to exporters if quotas were set globally and importers made to compete for foreign exchange. This, however, may not result in much of an incentive to exporters and hence restriction, on less essential imports tend to be eased, leaving them to be rationed by the purse, and the list of imports tends to be widened. If inessentiality means anything and priorities are related to development strategy, the evaluation of the results that the scheme may be thought to have had in increasing exports must allow for the effect on the composition of imports. While the result on exports are difficult to establish, and the effects on the composition of imports even more so, there is in the bonus voucher import lists some *a priori* basis for the view that a wider field was given to inessential imports. While incentive goods may be necessary for development by free enterprise, the desirable limits on free consumption are being increasingly discussed in Pakistan.

Lastly, the protective effect of high bonus voucher prices can only be controlled by investment licensing, which came to be liberalized at the same time as imports.[38] Recent moves to impose closer control, under the impact of diminished assistance prospects, affect both imports and investment, in particular the latter.

Balance of payments management

The control system as it evolved has maintained a certain balance between receipts and payments. With the reduction in administrative controls over imports allocation, this has probably been also done more efficiently.

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[35] Philip Thomas, *op. cit.*

[36] Of. for instance, *Economic Survey of Asia and the Far East, 1967*, Part I.

[37] Nurul Islam, "*Comments on Planning Experience in Pakistan*", *Pakistan Development Riview*, Autumn, 1968.

[38] Whether decontrol of the import of a given item and its assignment to the bonus voucher market lowered or raised the effective margin of protection for domestic producers of similar goods depended on the extent and treatment of imported inputs required for its production. If necessary inputs could not be produced in Pakistan and their importation was first controlled and then decontrolled and referred to the bonus voucher market, the effective margin of protection was likely to increase.

However, the problems arising from fluctuations in foreign exchange receipts have been masked by a large and continuing inflow of foreign aid, dating from the initial liberalization. When, in 1965, these favourable conditions were to some extent reversed, administrative controls were tightened, by reducing the volume of imports coming under the liberalized procedures.

A remarkable feature of the bonus scheme has been the relative stability of the premium on bonus vouchers in the domestic free market. This appears to have been achieved not by government intervention but by a reshuffling of exports entitled to, and imports assigned to bonus vouchers. Whichever side of the market was operated on, a decline in the total availability of foreign exchange was bound to reduce the availability of foreign exchange offered at the official rate for imports of essentials. The same kind of transmission occurs when export revenues increase. The system could not insulate essential imports against fluctuations in these receipts though aid may have done so when it was abundant. Instead of treating bonus voucher imports as a buffer, the prices of the vouchers were kept stable. It was argued in the preceding chapter that it is necessary in a dual exchange rate system to ensure that the fluctuating free exchange market for inessential imports would, under the type of policies advocated there, be a market for the residual foreign exchange left after priority needs had been met. The arguments advanced in favour of the scheme outlined there would also be applicable to a further rationalization of the Pakistan import control system.

III. Summary

The actual effects of the liberalization of controls in the early 1960's are masked by the effects of the increased inflow of imports that accompanied it. The impressive growth rates of Pakistan's economy during the 1960's, and especially of its industrial sector, are probably attributable to this single factor to a much greater extent than to such increases in efficiency as resulted undoubtedly from a greater reliance on the price mechanism during the period after liberalization.

The simplification of control procedures and the substitution of price reliant methods for allocating investment within any given industry can be expected, on *a priori* grounds, to lead to a more efficient pattern of investment. For planning to be meaningful, however, the inter industry pattern needs to be controlled. Though in principle the state declared its intention to exercise this control, it does not appear to have modified very extensively the privately desired composition of investment, either between or within regions. If this pattern was to be changed in line with some specified social objectives, it is doubtful whether the aim could be achieved purely by taxes and subsidies. Some direct control, if only in the negative sense of preventing investments in socially inessential lines (or volumes), seems to be necessary unless the long-run targets of growth are deliberately set low relative to available resources. (Pakistan perspective planning certainly does not accept low targets).

The administrative procedures for sanctioning investment provide such an instrument. Liberalization has not altered their potential effectiveness. It replaced the agents of effective control rather than removing this control in any marked measure.

Import licensing for capital goods has in practice been the main instrument for enforcing the planner's preference, to the extent that efforts were made to enforce them. This can be an effective instrument in the early stages of development when nearly all investment has a direct import content. With the fairly substantial growth in the domestic production of capital and intermediate goods, sole reliance on this instrument to control investment decisions will lead to a gradual erosion of control. It would, moreover, only be justified if foreign exchange (including both its direct and indirect uses) were the only scarce resource. Otherwise, all domestic and foreign resources must be evaluated at their social opportunity costs, that is, in terms of the alternative products which given resources may yield and account for, in deciding the optimal investment programme. This cannot normally be done with great precision nor can the administrators of various controls be expected to attempt the exercise. The recent introduction of explicit investment criteria for choosing investments by the sanctioning authorities, is thus an important movement in the direction of designing a rational, economic, and effective control system.

The most important element in the import liberalization programme has been the introduction of the export bonus scheme. This has imparted flexibility, and a degree of freedom from administrative controls which proposals discussed in the previous chapter are intended to provide. It has tended to reverse the bias against exports inherent in the import control system. The resulting increase in exports has been impressive, the performance being similar to that of Indian manufactured exports after the introduction of the import entitlement schemes. Import liberalization has nevertheless not been as far-reaching as is sometimes believed. It has tended to be partially reversed, mainly by shuffling commodities between import procedures which differ from each other in the varying degrees of restrictiveness of administrative allocation of imports. The need to maintain a certain balance between the demand and supply of foreign exchange in the aggregate and for its hetrogenous components, and the desire to maintain price stability continue to set limits to further liberalization. It seems, moreover, that in attempting to maintain price stability in the relatively free bonus exchange market, the Government may at times have diverted resources from uses which its own policies accepted as more essential.

Though utilization of capacity increased dramatically after import liberalization, this is likely to have been due to the increased inflow of aid that accompanied liberalization, rather than to the import liberalization itself. The rate at which new capacity was created and public development works proceeded did not slow down when maintenance imports increased.

The problem of income disparities between and within regions has from all accounts assumed great importance. It is an open question whether price reliant means will prove effective in lessening these disparities. It seems as likely that direct controls and a greater intervention of public investment will be called for.

Pakistan in the 1960's reached a stage of economic and industrial development which may perhaps be compared with that of the Indian economy in 1956.[39] It is by no means certain that private incentives will suffice to provide the composition and pace of investment which are needed for the next stage of development, when more sophisticated capital and intermediate goods will need to be produced within the economy, possibly with a smaller contribution of external capital than in even the most recent years. The problem of controls is likely to assume importance at this stage. Questions of policy which were discussed in the previous chapter will then become of greater relevance than they were in Pakistan in the 1960's. The temptations that must then be resisted are on the one hand attempting to directly control too much, and on the other, placing sole reliance on indirect controls which might lead to stability at the cost of growth. The introduction in recent years of dual pricing schemes for foreign exchange and commodities in short supply such as sugar suggests that Pakistani planners are likely to be pragmatic about short run management problems. The equally important problem of enforcing a socially optimal pattern of investment, production and income distribution, while upholding the role which private enterprise is given in the development strategy of Pakistan, continues as a major challenge to the planners.

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[39] This is argued in K.N. Raj, *India, Pakistan and China*, Allied Publishers, 1967.

Part Two

CURRENT ECONOMIC DEVELOPMENTS

Chapter I

BROAD FEATURES OF DEVELOPMENT IN 1968

The aggregate record of the developing Asian countries

In terms of the largest accounting aggregates of eight countries, the year 1968 presents a good record of economic growth in developing Asia.[1] As shown in the table below, the two countries of east Asia continue to raise their national products by 9 per cent or more each year. The average for the two countries on the south Asian sub-continent is dominated by the decline of India's growth rate from its exceptional level in 1967, which has marked the recovery from the worst rigours of agricultural failure and industrial stagnation. The growth of India's income by 3 per cent in 1968 reflects some retardation of recovery, but the rate approaches the average growth rate of the first half of this decade, however much that left to be desired. For Pakistan, the record of 1968 (the financial year 1967/68) was very satisfactory.

Selected groups of developing ECAFE countries: percentage rates of growth of national product at constant prices, 1966-1968

(moving weights)

	1966	1967	1968
East Asia: two countries	11.5	9.3	11.8
(China (Taiwan) and Republic of Korea)			
South and southeast Asian primary commodity exporters: four countries	6.3	6.5	6.8
(Ceylon, Malaysia, Philippines and Thailand)			
South Asian sub-continent: two countries	1.6	8.2	3.9
(India)	(1)	(9)	(3)
(Pakistan)	(4.5)	(4.5)	(8.3)
Eight Asian countries	3.3	7.9	5.1

The group of five representatives of Asian export-dependent primary producing economies shows a slight advance in the growth of real income. The rate of growth remained between 6 and 7 per cent during the past three years, unexpectedly so in view of the sharp variations in the level of world trade between 1966 and 1968. This suspicious constancy results from grouping together economies with a very different composition of exports. But it chiefly reflects the limitations of standard national accounting conventions. The rates measure growth of physical output. When a large part of output is habitually produced for exchange against imports the terms of trade become a major determinant of the economic value of actual additions to product: growth of output in years of declining terms of trade is not always a cause for joy. Owing to the composition of their exports and the behaviour of commodity prices in the past three years, the growth of national product in Ceylon and Malaysia presents a totally different picture according to whether or not an adjustment is made for the changing purchasing power of exports (see table below).

Ceylon and Malaysia: percentage rate of growth of national product, 1961-1968

	1961-1965 average	1966	1967	1968
Ceylon[a]				
Rate of growth of GNP, constant prices	4.1	3.8	4.4	8.3
The same, corrected for changes in terms of trade	3.7	1.2	2.5	7.0
Malaysia[b]				
Rate of growth of GNP, constant prices	6.2	5.7	5.9	8.4
The same, corrected for changes in terms of trade	6.5	5.3	2.4	4.5

[a] Central Bank of Ceylon, *Annual Report*, 1968.

[b] Malaysia, *Mid-term Review of the First Malaysia Plan 1966-1970*, 1968.

In 1966 and 1967 the growth of GNP in Ceylon, after account is taken of the collapse of tea and rubber prices appears to have been smaller or no greater than the increase of population and, in 1968, what seems to be an unexpectedly high rate of growth of national product in Malaysia reveals itself, after correction, as inferior to those achieved in the first half of this decade.

With these qualifications, a count of individual countries in terms of their annual rates of income growth confirms the impression of widespread success by the accepted numerical standards. Seven of the eight countries in table II-1-1 grew in 1968 at rates over 5 per cent. This may also be presumed about Iran though the inclusion of Burma and Indonesia might reduce the median rate of performance.

China (Taiwan) and the Republic of Korea continued to grow very fast on the basis of industrial expansion and exports and thus to some extent on the demands that continued to emanate from the war in Viet-Nam, and on capital imports which continued in the Republic of Korea to take the form of aided imports.

Malaysia and Pakistan—the latter in the financial year July 1967-June 1968—recorded a faster growth

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[1] Calendar years for all countries except: India, 1 April 1968 to 31 March 1969 and Pakistan, 1 July 1967 to 30 June 1968.

Table II-1-1. Eight developing ECAFE countries: percentage rates of growth of at constant national product prices, 1966 - 1968

(percentage change over preceding year)

Rate of growth of GDP or GNP	Accounting or financial years falling mainly in calendar year		
	1966	1967	1968
Over 8 per cent	Rep.of Korea (13.4) China (Taiwan) (9.3) Thailand (8.6)	China (Taiwan) (9.9) India (9) Rep.of Korea (8.9) Thailand (8.9)	Rep.of Korea (13.1) China (Taiwan) (10.3) Malaysia (8.4) Ceylon (8.3) Pakistan (8.3)
5-8 per cent	Philippines (6) Malaysia (5.7)	Philippines (6) Malaysia (5.9)	Philippines (6.3) Ceylon (6.2) Thailand (6)
3-5 per cent	Pakistan (4.5) Ceylon (3.8)	Pakistan (4.5) Ceylon (4.4)	
3 per cent or less	India (1)		India (3)

Sources: See Part II, chapter 3 of this *Survey*, country sections.

of output than in the two preceding years. For Malaysia this exaggerates the real growth because of the low export prices. In Pakistan the second half of the calendar year is likely to have been affected by the foreseeable decline in aid disbursements.

Thailand's agricultural setbacks caused a decline in the rate of growth and in exports. The decline would probably be more marked if account was taken of the export prices of rice, rubber and tin which fell during the better part of 1968. On the other hand, the economy continued to be stimulated by development expenditures, linked in part to security policy, and by expenditures related to the war in Viet-Nam.

Growth in the Philippines continued at the rate of the preceding years and was increasingly bouyed up by the Government's effort to develop the infrastructure of the country while circumventing the deadlock in Congress on taxes.

In Ceylon, the immediately most valuable addition to national product occurred in agricultural production for domestic use, mainly rice, but also in industrial products obtained from existing capacity with the help of aided imports of materials.

The rather low rate of growth that is estimated for India (financial year April 1968-March 1969) expresses the assumption that production of foodgrains did not exceed the quantity of 1967, and reflects the modest rate of industrial growth which characterizes the present phase of Indian economic policy.

The progress of 1968 was obtained, on the whole, with stable internal price levels. In Indonesia, a good crop, deflation and assisted imports forced down the rate of inflation to what may be called, in the Indonesian context, a mere 2-3 per cent price rise per month. The high rates of growth in the Republic of Korea (where agriculture did not recover from the drop of 1967) and perhaps also in China (Taiwan) were accompanied by sectional price pressures which the governments sought to prevent from combining into an inflationary force.

Generally, however, in the Asian countries under consideration (and thus excluding Burma and the Republic of Viet-Nam), open inflationary pressures are shown by the evidence of this decade to result from failures of supply rather than from persistent increases of expenditure. If the dread of open inflation and indeed of all inflationary twitches of the price level is a mark of good economic government, developing Asia is on the whole well governed. It is, indeed, not difficult to find instances of the fear of inflation motivating the neglect of clear opportunities of development or growth and leading to an otherwise injustifiable degree of dependence on foreign aid for development. It is obviously difficult to strike a workable mean between policies that deny the interconnexion between different markets in the economy and others which are based on considerations of undifferentiated financial aggregates and walk in the fear of the quantity of money. A good part of the orthodoxy of policy is understandable in view of the still rather low levels of economic information and of institutional development, and the inadequacy of available techniques of economic management in the developing countries of Asia.

Many of the inflationary impulses of 1965 and 1966 were thus the result of agricultural shortages, and were overcome in 1967 with the help of increasing farm output and stern policy.

With the recovery of agriculture in several countries and with excellent agricultural progress in some, the year 1968 may thus seem to have come as close as possible to presenting a record of normal economic performance in the countries of developing Asia in the second half of the decade. The idea is deceptive inasmuch as powerful but strictly temporary factors influenced the year: world trade was higher than before and is unlikely to grow at the same rate in 1969; the war in Viet-Nam redounded again to the economic advantage of a group of countries in southeast and east Asia; aid disbursements were higher than can be expected in the next few years and the new agricultural techniques may, in some countries, have made the major part of their potential contribution. 1968 may therefore, in retrospect, appear as a particularly good year. With agriculture ceasing to be a hindrance and beginning to become a growth sector in some countries, the record of 1968 may offer an idea of the best that Asian developing countries are capable of achieving under rather favourable external circumstances, give or take normal setbacks or windfalls. Seen in this way, the record is perhaps less inspiring, not least in view of the high rates of population growth in some of the relatively fast-growing countries. The questions that emerge from the record concern the organization of economic policy and its ability to make the best use of resources, the progress of the long-term framework of policy and the ability to marshal resources for long-run growth in the approaching situation of lessened external assistance.

Production: agriculture[2]

Only two of the major countries of developing Asia suffered clear-cut agricultural reverses in 1968. In the Republic of Korea agricultural output failed to recover to the level before the drought of 1967, which cut the output of rice by 8.1 per cent, and that of summer grains by 5.1 per cent. Thailand was afflicted by severe drought in the autumn of 1967 with the result that the rice crop of 1968 was almost 14 per cent below that of 1967 (9.6 against 11.8 million tons of paddy) and jute, maize and sorghum were also affected. Agricultural output in terms of value added increased by less than 1 per cent.

Cambodia may have to be added to this list since rice output declined from 1.6 to 1.5 million tons between 1967 and 1968.

Burma occupies an intermediate position in terms of its agricultural fortunes during the past three years. Between 1965 and 1966 the output of rice declined from 8.05 million to 6.64 million tons—by 18 per cent. In 1967, it rose by 16 per cent, and in 1968 by a further 4.5 per cent, to 8.05 million tons, marginally below the crop of 1965. The ban on new export contracts was continued into 1968 and only lifted towards the end of the year when crop prospects had improved. Exports of milled rice were a mere half million tons in 1967: barely one-half of exports in 1966. Even this appears to have been achieved only at the cost of an unprecedented restriction of the domestic availability of rice. Although rice output is estimated to have recovered in 1968 to the levels of 1965, exports have fallen further to 340,000 tons. Out of the improved crop of 1968, 125,000 tons are being carried over into 1969 and with an anticipated increase of rice production by half a million tons in 1968/69, 600,000 - 700,000 tons may be available for export this year.[3]

Rice, the main foodgrain crop of the region, and wheat crops in India and Pakistan, formed the focus of growth. The large increases in rice production occurred in Malaysia (1968: 18 per cent), partly by way of recovery from the flood damage of 1966/67 which reduced the output by 3 per cent; in Ceylon (1968: 17 per cent, 1967: 21 per cent and 1966: 26 per cent), in Pakistan (1967/68: 5 per cent, 1966/67: -7 per cent) and in Indonesia (1968: 11.5 per cent, 1967: 2 per cent, 1966: 3.4 per cent). Lower growth rates were recorded in the Philippines (crop year ending August, 1968: 6.6 per cent), China (Taiwan) (1968: 4.4 per cent) and India, where the high level of output in 1967 was somewhat exceeded in 1968.

The wheat crop in Pakistan in 1967/68 (July 1967 to June 1968) was outstanding. At 6.3 million tons it exceeded the last peak crop, 1964/65, by some 37 per cent.

Besides being the main area of success during the past two years, foodgrains also formed in most countries the main object of agricultural policy. Agricultural development policy in the form of a variety of new agricultural strategies, has become the central feature of the immediate development programmes of several countries: it occupies this rank in Ceylon, India, Indonesia and Pakistan and also in the Philippines, where the rice programme has been more or less completed. In these countries, and also in Malaysia, self-sufficiency in rice forms part of the programme and is normally expected to be attainable in the first half of the 1970's. In India and Pakistan, the objective of self-sufficiency applies to wheat as well.

The five countries that are now working their way to self-sufficiency in rice accounted in 1967 for some 67 per cent of total gross imports of rice into developing Asian countries from all destinations.[4] Since Asia includes major rice exporters, the drive to self-sufficiency introduces an obvious element of inconsistency into regional development which is further underlined by the extension of the policy of self-sufficiency to include the aim of regular production of exportable surpluses (India, Pakistan, Philippines). The effect of this incompatibility of plans becomes slowly apparent, though it was still overlaid in 1968 by the failure of the Thai rice crop. Prices in international trade declined during 1968, by as much as 25 per cent.[5]

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[2] Statistical information is taken from FAO (calendar years). Quantitative statements not so distinguished are taken from national sources.

[3] Commonwealth Secretariat, *Rice Bulletin*, February 1969.

[4] In 1967, the Philippines still had to import rice. Indonesia's import, however, at 341,000 tons were only about 34 per cent of imports in 1964.

[5] Top quality rice, c.i.f. European markets, declined by £3 to below £90 per M.T. between December 1967 and December 1968.

The price fall is in part the result of the recovery of rice output in Asian importing countries, but part of that recovery, and its continuation in 1968 and 1969, must be booked to the credit of new policies which will not be content with a mere return of output to previous levels and growth at the earlier rates. World output of rice may be some 3 per cent lower in 1969 than the 183 million tons of 1968, but the distribution of the declines may not much help the traditional Asian exporters. Mainland China, for instance, is likely to maintain its exports in spite of declines in output. A mild decline should, in any case, be quite consistent with a larger supply to the markets since the high year restored stocks to desired levels or raised them in several cases to excess. The United States, which had a bumper crop of 3.4 million tons of rice in 1968, will presumably continue its policy of seeking to protect other producers against the effects of plenty. But within Asia, rice tends increasingly to be protected. Wherever new agricultural strategies are being pursued, whether their accent lies on a new technology or on improved organization, the schemes provide for increased prices to the farmers. High guaranteed prices were maintained in 1968, when world prices were declining. Rice is thus sold domestically at a price, and presumably produced at the margin at a cost, higher than the cost of imports at existing rates of exchange. Exports would require subsidies. The effect of a collision in the Asian rice economy will be to hasten increases in productivity which is low in rice farming in the major exporting countries; this will widen the discrepancy between costs. The extent to which the drive to self-sufficiency, let alone the target of new exportable surpluses, represents a misallocation of resources at the national level cannot be determined at this time: this demands in each case a reassessment of development opportunities and implicit relative resource scarcities, in the light of the new opportunities of agricultural development. It also depends on the cost which is imputed by each country to fluctuations in foodgrain availability. Lastly, it is more than likely that foodgrains have been under-priced in several countries in the sense that a more equal distribution of income such as national policy has for one of its aims, would have raised producer prices above their historical levels. The questions about resource allocation which are raised by the rice programmes apply with equal strength, but with a lesser degree of regional impact, to the wheat programmes of India and Pakistan.

Notwithstanding this suspension of judgment on fundamental questions of internal allocation, the rational consideration of economic policy in individual regional countries or of marginal adjustments to policies, could now be helped by investigating the scope for international co-operation in the foodgrain economy, within the ECAFE region. Given the time required for adapting agricultural programmes, it is by no means too early to examine ways of co-ordinating national buffer stocks, which form standard components of national agricultural policies. The optimal size of stocks could be lowered, and the optimum period of accumulation lengthened if loans between national stocks could be agreed on. Exporting countries might be associated in such a scheme through arrangements for priority export quotas, as a first tentative step towards a regional commodity agreement, which might at a later stage involve obligations to buy and sell rice in accordance with certain movements of prices or output.

Commercial crops showed a more varied behaviour than foodgrains in 1968. The output of rubber rose significantly. While world supply and demand were considered in balance at the end of the year, the profitability of exporting in 1969 may not rise very much after the great price slide of the past two years, because of the lower rate of growth which is forecast for the industrial countries. The output in Malaysia increased by 12 per cent. The slight recovery in price during the year allowed stocks accumulated in 1967 in support of the market to be partly sold off.[6] The rubber production of Thailand rose by 19 per cent. The output of rubber in Ceylon rose by 4 per cent in 1968, that is one-half as fast as in the preceding two years, and in Indonesia it seems to have remained substantially unchanged. While more energetically pursued policies of replanting in Thailand and Indonesia will only show their effect in six or seven years, replanted acreage is in the meantime coming to maturity in Ceylon. Competition on the basis of high-productivity trees should thus increase.

Tea output also increased on balance, the main addition coming from India.

Amongst hard fibres, India's output of jute declined and there was a sharp decline in the output of jute and kenaf in Thailand (1968: -57 per cent). The output of jute in Pakistan (1967/68) rose by perhaps 7 per cent. Abaca output in the Philippines continued to decline.

Coconut products declined in the Philippines (copra, 1967/68: -9 per cent) but rose in Ceylon to the level of 1965. On balance, and in the absence of marked changes in the output of Indonesia, supply will have declined.

The output of maize, which is one of the few new Asian commercial crops, rose by 35 per cent in Thailand. This crop escaped the drought that hit paddy during 1967/68. Indonesia and Malaysia are also developing the crop for export.

Production: industry

The most rapid growth of manufacturing occurred, as it has been doing throughout this decade, in the Republic of Korea and in China (Taiwan). Manufacturing was furnishing between 17 and 19 per cent of their gross domestic product in 1966 and forms the basis of exports. The decline of the Viet-Nam market has been parried by a transfer of the outputs to domestic use, especially of metal products to construction. While industry is based on private enterprise, public sector enterprise is developing new basic industries such as petrochemicals and iron and steel.[7] The two countries have recently entered into agreements to specialize each in a particular petrochemical product for sale in the combined market.

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[6] *Rubber Statistical Bulletin*, vol. 23, No. 2, December 1968. In December 1967, Malaysia held 134,000 tons of natural rubber, bought during the year to support the market. By September 1968, the stock had been brought down to 99,000 tons.

In Hong Kong and Singapore, manufacturing continues to expand at accelerated rates. In the virtual absence of industrial raw materials and with the resulting emphasis upon exports, a species of entrepot-manufacturing has been created in both of these traditional entrepot-trading centres. Ninety-five per cent of the domestic exports of Hong Kong are manufactured goods; in Singapore, the share is about 80 per cent, but less than one third of total manufactured output is exported.

India and Pakistan, as the other and older set of deliberately industrializing and industrially relatively advanced economies, have followed more or less explicit strategies of industrialization, embodying long-run objectives of structural transformation. In both countries the administrative control of these processes has been much relaxed in this decade, and these relaxations were maintained—or, in the case of India, expanded—in 1968. The substantial persistence of India's industrial recession is reflected in a rate of growth of industrial output by only 5.4 per cent in 1968. Excess capacity continues to exist and the resulting internal competition and price reductions probably explain some part of the success in exporting metal and engineering products in 1968.

In Pakistan, the index of manufacturing production rose in 1967/68 as in the preceding financial year by about 10 per cent. The growing foreign exchange shortage of 1967 and 1968 made for restrictive policies which led in the later part of 1968 and at the beginning of 1969 to slower industrial activity and apparently also to a slower pace of industrial investment. While steel and petrochemical complexes are being planned in Pakistan, the revision of the third five-year plan, undertaken to meet reduced foreign aid offers, emphasized the need for concentrating on quick yielding projects. The same principle seems also to have been adopted in India. The practical consequences, and the effects on the pattern of outputs, will only become apparent when the pressure of investment demand revives in either country.

With the further exception of the Philippines, industrialization in the remaining major countries of the region is not at the moment the central concern or the major objective of development policy. Output seems, however, to have been growing at about 10 per cent in Thailand and Malaysia, and perhaps at a similar pace in Ceylon where the liberalized import policy is now allowing the activation of existing capacities. This is also the present phase of industrial growth in Indonesia.

Industrial development in the less industrialized countries is largely directed to replacing imports of consumer goods but in several of them the potential for continued expansion along these lines appears limited. Increasing emphasis is being shifted to import replacement of industrial inputs. This is not, perhaps, the object of the priority which is given in Indonesia, Malaysia or Pakistan to investment in capacity which will utilize domestic raw materials. This policy often appears to be a part of the renewed emphasis on agro-based industries. The desirability of planning integrated industrial expansion, on the other hand, is recognized in countries in which the manufacturing sector has already attained some considerable size. In this connexion the establishment of capacity to replace imports of intermediate inputs has become important. The requirement that assembly plants and manufacturers progressively increase the domestic component of final-stage output, as stipulated for example in China (Taiwan), seems to provide a practical way to ensure that interdependence is built into the manufacturing sector.

The cost advantages which can accrue through integrated development are not limited to those provided by infrastructural facilities such as transport and power, or domestic production of fertilizers and other agricultural inputs. As manufacturing output continues to grow, the threshold of efficient production is crossed by increasing numbers of industries supplying machinery, components and other material inputs for final-stage manufacturing processes. In such cases the development of interdependent domestic manufacturing industries may also create external economies. Examples are most frequently found in the few industries which have attained appreciable size in the developing countries of Asia—textiles and garments, food products and the processing of other primary materials. Apart from India, where the manufacturing sector is both large and fairly diversified, China (Taiwan), Hong Kong, the Republic of Korea and Pakistan produce items of textile machinery, sewing machines, motors and equipment for raw material processing as well as some agricultural machinery. Concurrently, the feasibility of establishing capacity in petrochemicals and iron and steel is becoming more common. On the whole, the engineering industries are as yet not highly developed in most countries of the region. Nevertheless, in Pakistan, China (Taiwan) and the Republic of Korea current planning includes the expansion of machine-building capacity, for both industrial and agricultural uses.

In the nature of industrialization in developing countries, the foreign exchange situation stands in the background of all developments, furnishing both criteria of project selection and warnings against totally uncontrolled development. With a spreading scarcity of foreign exchange at full employment levels of domestic capacities, the design of policies of selection and control, in a medium-term framework, appears as a pressing task of governments.

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[7] Recent reports indicate that in both countries the planned iron and steel complexes have been postponed, for reasons which reflect the limitations of domestic markets for basic steel products.

Foreign trade

The value of exports from the developing ECAFE countries as a whole rose in 1968 for the seventh year in succession, and at a faster rate than in 1967. This conclusion, which emerges from a comparison of the first three quarters of 1967 and 1968 (table II-1-2), is not noticeably affected by the inclusion in the total of the trade of Singapore which largely consists of re-exports. The inclusion of Iran, whose exports appeared to be growing at a slower rate than in 1967, and of Afghanistan, Cambodia and the Republic of Viet-Nam, whose exports declined between the first halves of 1967 and 1968 might, however, lower somewhat the average regional growth rate. But as the year progressed so the tempo of imports into the developed countries increased. Very probably, therefore, the comparison between the full years 1968 and 1967 will point to a sensible acceleration of export growth.

Economic activity in the industrial countries increased significantly during 1968, though not as much as was expected a year ago. External imbalances and monetary disturbances inhibited the expansion in Europe and North America: the addition to the national product of the United States, for instance, was smaller than in 1965 and 1966, and less as a percentage than recent accelerations after years of slow growth (1962, 1964).

The rate of growth of domestic product rose particularly in the United States, the United Kingdom and the Federal Republic of Germany, but the effect on Asian exports may have been somewhat offset by the lower rate of growth of Japan. Imports into the industrial countries rose by 13 per cent in 1968, faster than in any year since 1964. In 1967, these imports had grown by 6 per cent and in 1966 by 11 per cent. The value of imports includes freight and some of the increase probably reflects the closure of the Suez canal, but not so much as to affect the relative eminence of this rate of growth. The growth of imports was fastest in the United States (from 5 per cent in 1967 to 13 per cent in 1968) and in industrial Europe (1967: 3 per cent, 1968: 11 per cent), Japanese imports growing at only half the rate of 1967 (1967: 22 per cent; 1968: 11 per cent). After elimination of the intra-trade of the industrial OECD countries their imports—from third countries—rose by 10.5 per cent against 3.6 per cent in 1967.

The rate of increase of the exports of developing Asia in 1968 may thus have exceeded the rate of growth of OECD imports. The acceleration in the growth of Asian exports, however, was much less than the acceleration of the rate of imports into the industrial countries.

The slower rate of growth of Japanese imports may help to explain why the sharp rise in the imports of the industrial countries was not reflected in the growth of exports of developing Asia. In any case, no simple relation is observable between the growth rates of the imports of the industrial world and of the exports of developing Asia. In 1964 and in 1966, for instance, imports into the industrial countries rose sharply but the rates of growth of exports of the

Table II-1-2. Developing ECAFE region: value of merchandise exports, 1966, 1967 and 1968

(in million US$)

Country	1966	1967	1967		1968		Percentage change		
							1967 over 1966	1968 over 1967	
			Jan-Jun	Jan-Sep	Jan-Jun	Jan-Sep		Jan-Jun	Jan-Sep
Afghanistan	75	64	21	43	21	...	-14.7	0	...
Brunei	74	79	...	...	...	...	6.7	...	...
Burma	194	124	75	104	56	76	-36.1	-25.3	-26.9
Cambodia	67	83	39	70	36	...	23.9	- 8.3	...
Ceylon	352	347	174	260	142	332[a]	-1.4	-18.4	-4.3[a]
China (Taiwan)	584	675	346	514	420	632	15.6	21.4	24.9[a]
Hong Kong	1,324	1,527	728	1,098	768	1,233	15.3	5.5	12.3
India	1,603	1,613	769	1,173	805	1,291	0.6	4.7	10.1
Indonesia	714	770	310	475	334	861[a]	7.8	7.7	11.8[a]
Iran	1,310	1,913	647	1,272	800	...	46.0	23.6	...
Korea, Republic of	250	320	139	217	202	319	28.0	45.3	42.2[a]
Malaysia	1,256	1,217	603	924	623	1,344[a]	-3.1	3.3	10.4[a]
Of which:									
Sabah	117	132	61	100	67	...	12.8	9.8	...
Sarawak	151	165	82	124	94	...	9.3	14.6	...
Pakistan	601	645	315	473	373	542	7.3	18.4	14.7
Philippines	828	812	400	586	427	625	-1.9	6.7	5.6
Singapore	1,102	1,140	549	849	612	945	3.4	11.5	11.3
Thailand	678	685	395	544	317	658[a]	1.0	-19.8	-3.9[a]
Viet-Nam, Republic of	25	16	9	12	5	...	-36.0	-45.9	...
Total	11,037	12,030	5,519	7,217[b]	6,102	8,059[b]	9.0	10.6	11.2[b]

Sources: International Monetary Fund, *International Financial Statistics*, February 1969 and national sources.

[a] Whole year (three quarters included in the regional total).

[b] Excluding Afghanistan, Brunei, Cambodia, Iran and the Republic of Viet-Nam.

developing ECAFE countries were in each case less than in the immediately preceding years. There are, of course, no grounds for expecting a parallel movement, but in its absence one might still expect that increases in the level of economic activity and the imports of industrial countries would act on the prices of industrial raw materials. It is, therefore, disturbing that the surge in the economic activity of industrial countries in 1968 failed to make a firmer impression on these prices. There was no strong recovery in the price of rubber which still stood in the latter part of 1968 below its depressed level of 1966. The price of raw jute rose above the low level of 1967 but it also failed to reach the level of 1966 and was only being buoyed up after the crop failure in India and the decline in the Thai supply of kenaf. The price of tin remained above the level of the early 1960's but fell below that of 1967 (and thus below the level of 1964-1966); the suspension of releases from the United States stockpile in July 1968 still left the market weak and forced the manager of the international buffer stock to buy large quantities. The price of palm oil declined well below the level of 1960-1967, and prices of Asian hard fibres remained again well below the level of the earlier years of this decade. Without a detailed analysis of supply in 1968 the reasons for the depressed prices of major Asian export commodities cannot be determined, but it seems highly probable that supply reduction would have no lasting effect on the price level of most of these commodities.

It is thus not surprising that the combined exports of Ceylon, Indonesia, Malaysia, the Philippines and Thailand, countries which depend on the export of primary products to industrial markets, rose in 1968 by only 8.3 per cent, significantly less than the regional average. This was nevertheless a great improvement on 1967 when the exports of the five countries did not rise at all (table II-1-2).

Within this group of five, Malaysia and Indonesia succeeded in raising their exports quite strongly. In Indonesia, the increase was mainly due to the export of oil, while rubber, tin, coconut products and the remainder of Indonesia's traditional exports increased little. In Malaysia, growth was due to tin and timber rather than to rubber (table II-1-3).

For the rest, those export values improved most which contained a significant proportion of manufactures. This was the case in the Republic of Korea where manufactured consumer goods made the main contribution; in India, where the export of manufactures, and especially of metal and engineering goods, increased faster than total exports; and in Pakistan, where manufactures of jute, cotton and leather and new products seem to have been responsible for export growth in the first half of 1968.

Export values (in US dollars) declined in Ceylon because of the low prices of tea and rubber. The sharp decline in the exports of Thailand (first half of 1968) was partly due to the failure of the rice crop and the decline in the output of kenaf (from which growers were turning away on account of the low prices). The fall in the value of exports from Burma also reflected the failure of the rice harvest.

The great burst of imports into the developing ECAFE countries which continued into 1967 ended in that year. In 1968, the value of imports rose at a markedly lower rate. If Singapore is excluded from table II-1-4, the rate of growth of imports declined drastically: from 12.2 per cent in 1967 to 1.4 per cent in 1968.[8]

Table II-1-3. Developing ECAFE countries: total merchandise exports and exports of leading products, 1967 and 1968

Country	Currency (millions)	1967 Jan-Jun	1967 Jan-Sep	1968 Jan-Jun	1968 Jan-Sep	Percentage change
Burma						
Total exports	kyats		496.6		362.9	-26.9
Three commodities			413.2		293.9	-28.9
Of which:						
Rice			287.9		150.1	
Teak			100.1		124.7	
Oil cakes			25.2		19.1	
Ceylon						
Total exports	rupees (US$[a])		1,650.0 (347.0)		1,975.0 (332.0)	19.7 (-4.3)
Three commodities			1,510.0		1,824.0	20.8
Of which:						
Tea			1,061.0		1,162.0	
Rubber			282.0		331.0	
Coconut products			167.0		331.0	

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[8] January-September 1968 compared with April-December 1967.

Table II-1-3 (cont'd)

Country	Currency	1967		1968		Percentage
	(millions)	Jan-Jun	Jan-Sep	Jan-Jun	Jan-Sep	change
China (Taiwan)						
Total exports[b]	NT$	5,983.8		6,467.8		8.1
Manufactured exports[b]		5,383.0		5,809.0		7.9
Of which:						
Textile products and articles of wear		1,217.1		1,560.1		
Base metal and metal products		931.6		981.7		
Hong Kong						
Total exports	HK$		6,273.2		7,471.2	19.1
Manufactured exports			5,706.8		6,878.4	20.5
Of which:						
SITC section 6[c]			1,664.1		1,687.8	
SITC section 8[c]			3,223.9		4,179.6	
India						
Total exports	rupees		8,799		9,686	10.1
Two commodities			2,810		2,590	-7.8
Of which:						
Jute manufactures			1,672		1,432	
Tea			1,138		1,158	
Manufactured exports			4,253.8		4,835.5	13.7
Of which:						
SITC section 6[c]			3,782.9		4,119.9	
SITC section 8[c]			245.5		292.6	
Indonesia[d]						
Total exports	US$		770		861	11.8
Eight commodities			648		716	10.5
Of which:						
Oil			244		292	
Rubber, tin, copra and cake, coffee, tobacco, palm oil and kernel, pepper			404		424	
Korea, Republic of						
Total exports	US$		216.8		319.4	47.3
manufactured exports			140.8		237.3	68.5
Of which:						
SITC section 6[c]			65.5		101.0	
SITC section 8[c]			66.3		120.0	
Malaysia[d]						
Total exports	M$		3,717		4,070	9.5
Four commodities			2,730		3,013	10.4
Of which:						
Rubber			1,270		1,340	
Tin			755		846	
Timber			581		687	
Palm oil and palm kernel			124		140	
Pakistan						
Total exports	rupees	1,499		1,777		18.5
Two commodities		724		675		-6.8
Of which:						
Cotton		240		345		
Jute		484		330		

Table II-1-3 (cont'd)

Country	Currency	1967		1968		Percentage
	(millions)	Jan-Jun	Jan-Sep	Jan-Jun	Jan-Sep	change
Philippines						
Total exports	US$	399.1		426.8		6.9
Four commodities		319.9		348.5		8.9
Of which:						
Coconut products		94.1		104.2		
Sugar		93.0		100.1		
Logs and lumber		99.2		106.1		
Copper concentrates		36.6		38.1		
Thailand						
Total exports	baht	8,229		6,599		-19.8
Six commodities		6,560		4,905		-25.2
Of which:						
Rice		2,929		1,847		
Rubber		878		842		
Tin		1,029		810		
Corn		692		752		
Kenaf		606		276		
Tapioca products		426		378		
Viet-Nam, Republic of						
Total exports	US$	9.21		4.96		-46.2
Rubber		7.65		4.04		-47.2

Sources: International Monetary Fund, *International Financial Statistics*, February 1968 and national sources.

[a] Value of exports in dollar terms declined but increased in rupee terms due to the devaluation of the rupee. Total exports from the balance of payments. Commodity analysis from the Ceylon Customs Returns.

[b] First quarter.

[c] Standard International Trade Classification. Section 6, manufactured goods classified chiefly by material includes textiles, base metals, rubber manufactures, paper, wood manufactures and several other manufactures. Section 8, miscellaneous manufactured articles includes clothing, footwear, scientific instruments, watches, photographic goods and several other manufactures.

[d] Whole year.

Table II-1-4. Developing ECAFE countries: value of merchandise imports (c.i.f.), 1966, 1967, and 1968

(million US$ and percentage changes)

Country	1966	1967	July-Dec 1967	Jan-Jun 1968	9 months ending Dec 1967	9 months ending Sep 1968	Percentage changes		
							1966-1967	July-Dec 1967-Jan-Jun 1968	Apr-Dec 1967-Jan-Sep 1968
Afghanistan	151	152	76	76	114	...	0.7	0	...
Brunei	49	43	...	...	...	...	-12.0	...	...
Burma	158	124	58	88	94	143	-21.5	51.2	52.1
Cambodia	111	96	47	59	71	...	-13.5	25.5	...
Ceylon	424	417	209	197	313	295	-1.7	5.7	5.8
China (Taiwan)	603	847	453	466	665	732	40.5	2.9	15.1[b]
Hong Kong	1,767	1,818	862	952	1,304	1,471	2.9	10.4	12.7
India	2,827	2,808	1,277	1,368	1,979	1,952	-0.7	7.1	-1.4
Indonesia	583	891	494	465	...	...	52.8	6.2	...
Iran	930	1,127	585	696	833	...	21.2	19.0	...
Korea, Republic of	716	996	585	651	797	1,001	39.1	11.3	47.4[b]
Malaysia	1,104	1,086	535	653	818	860	-1.6	5.3	5.1
Of which:									
Sabah	112	108	54	53	82	...	-3.6	-1.8	...
Sarawak	172	175	88	90	132	...	1.7	2.3	...
Pakistan	900	1,101	492	486	821	746	22.3	-1.3	-9.1
Philippines	957	1,172	601	611	911	963	22.5	1.6	5.6
Singapore	1,328	1,440	723	822	1,097	1,255	8.4	13.7	14.4
Thailand	884	994	489	558	745	...	12.4	14.1	...
Viet-Nam, Republic of	496	538	219	167	387	253	8.5	-23.9	-34.6
Total	13,988	15,650	7,705	8,315	9,400[a]	9,671[a]	11.9	7.9	2.9

Sources: International Monetary Fund, *International Financial Statistics*, February 1969 and national sources.

[a] Excluding Afghanistan, Brunei, Cambodia, Indonesia, Iran and Thailand.

[b] Whole year (three quarters included in regional total).

The value of imports declined in India, Pakistan and the Republic of Viet-Nam. In China (Taiwan), and the Philippines, imports grew at a lesser rate than in 1967. The imports of the Republic of Korea, Burma, Ceylon and Thailand showed the largest proportional increases, the three latter also suffering declines in export proceeds. Burma needed imports because of the crop failure. In Thailand imports were attracted by the boom of the urban economy which continued in 1968, and by large and assisted development expenditure on construction in backward regions which had begun to present problems of security. In Ceylon, commodity aid allowed the gradual absorption of excess capacity.

In India, the decline of imports reflected the combination of agricultural recovery and industrial stagnation: imports were liberalized, but the importers held back. In Pakistan, the deteriorating aid prospect called for a variety of measures to restrain imports: Pakistan's own earnings of foreign exchange amounted to only 55 per cent of its total payments in 1966/67, and this ratio was not expected to rise to more than 59 per cent in 1967/68.

The divergent movement of exports and imports seems to have resulted in an improvement of the trade balances, at least in the sense that fewer countries experienced a deterioration in their balances than in 1967 (table II-1-5). In China (Taiwan) the great deterioration of 1967 was somewhat moderated. In Pakistan, the deficit increased greatly in 1967 but was apparently halved in 1968. India alone, among the twelve countries in the table, experienced a rather unequal improvement of her trade balance in each of the two periods; the reduction of the deficit between the first two thirds of 1967 and 1968 being by far the larger. The trade surplus of Malaysia which had decreased in 1967 rose again in 1968. It still remains true, however, that half of the countries listed in table II-1-5 experienced larger trade deficits in 1968 than in the year before. In Indonesia, the Republic of Korea, the Philippines and Thailand, trade deficits arose or grew in 1967 and increased in 1968.[9] Only in the case of Indonesia does this appear to have been intended. In the Republic of Korea, the liberalization of import controls of 1967 was maintained and imports of intermediate goods as well as foodgrains were let in liberally to contain price increases; also, credit restrictions were adopted towards the end of 1968. In the Republic of Korea and in Thailand the problem of the deteriorating trade balance is eased by good access to foreign aid and, in Thailand, by very large external reserves. In the Philippines, however, where the availability of additional external resources is more problematical, a variety of financial measures were taken to restrict imports.

The liberalized import system was maintained in India. In Pakistan, the details of the import system were changed to meet the growing scarcity of foreign exchange, but the general structure remained intact. A liberalization of import controls also began in Indonesia and in Ceylon. In Pakistan, Indonesia and Ceylon, liberalization in the sense of freer licensing of imports is associated with dual pricing systems for external transactions; or, more accurately, with multi-pricing systems in Pakistan and Indonesia.[10]

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[9] This conclusion is based on a comparison between the first nine months of 1967 and 1968.

[10] See the sections on Ceylon, Indonesia and Pakistan in part II, chapter 3 of this *Survey*.

Table II-1-5. Developing ECAFE countries: trade balances, 1966, 1967 and 1968

(in million US$)

Country	1966	1967	1967		1968	
			Jan-Jun	Jan-Sep	Jan-Jun	Jan-Sep
Burma	36	0		-2.75		-67.00
Ceylon	-72	-70		...		-61.0[b]
China (Taiwan)	-19	-172		-129		-100
Hong Kong	-443	-291		-222.25		-237.75
India	-1,225	-1,195		-1,012.00		-660.50
Indonesia	96	-121		6.25		-86.00
Korea, Republic of	-466	-676		-437.25		-68.50
Malaysia	152	131		95.75		9.25
Pakistan	-299	-456		-387.25		-203.75
Philippines	-129	-360		-209.5		-240.0
Thailand	-206	-309	-108.75	-201.25	-240.75	...
Viet-Nam, Republic of	-471	-522	-309.75	-422.25	-161.75	...

Sources: International Monetary Fund, *International Financial Statistics*, February 1969 and Ceylon: Central Bank
China (Taiwan): Central Bank
Indonesia: Central Bank
Republic of Korea: Korea Exchange Bank
Philippines: Central Bank (News Digest)

Note: Imports, c.i.f.; exports, f.o.b.

[a] From the balance of payments. The trade figures in customs returns of Ceylon tend to diverge widely from balance of payments figures.

[b] January-December 1968.

Compared with comprehensive import licensing, these systems have their own problems but they also possess the merit of an administratively simple system of combining the price mechanism with principles of priority, of adjusting the exchange rate and of transforming the monopoly profits of importers into export premiums or government revenue. As a relatively simple method of controlling resource allocation, dual price systems deserve considering also outside the area of foreign trade.

While these systems are normally used to provide incentives for newly emerging exports, the development of staple exports is pursued by other methods, such as the direct development of infrastructure, replanting subsidies or tax concessions. Generally, the support of export development, by financial measures, fiscal exemption and the public provision of physical facilities has become a major component of economic policy in Asian countries. The dual pricing systems have the merit of making clear to importers the cost of gaining foreign exchange through exporting, and thus of influencing choice and productive techniques.

In exporting their staple products, Asian primary producers normally compete relentlessly with each other. The relative lack of alternative opportunities, the absence of significant domestic markets for many of the staple exports, their homogeneity and the cost of storing a vast bulk force producing countries into a type of competitive behaviour which is the exception in manufacturing industries. The competitive fight for markets tends to involve all of the economy in the smaller, export-dependent countries. The obvious examples are the rubber industry, in which national replanting schemes aim at raising productivity so as to maintain a share of the rubber market in the face of the advancing synthetics; the tea industry, in which productivity is also being raised by large investments in replanting; tin, sugar and palm oil. Coconut products and jute and kenaf are at the moment passing through phases of shortage and an upward pressure on prices wich endangers the markets that are ringed by substitutes. Asian countries similarly compete in their plans for exports of rice, maize and coffee.

Certain agreements already exist and certain producers enjoy relatively protected markets, for instance under the Commonwealth Sugar Agreement or the United States preferences for the Philippines. The International Tin Council is of major interest to some developing ECAFE countries and it has been the scene of recent conflicts on quotas between Asian producers.[11] There are few other agreements. Two additions during 1968 were the International Sugar Agreement signed in October 1968 and the Asian Coconut Community which was negotiated under ECAFE auspices in October 1968. The sugar agreements, which covers the free trade in sugar—some 35-40 per cent of the total trade—rests mainly on the agreement between producers—among them India and China (Taiwan)—to fix and observe variable production quotas. Consumer countries are assured of supplies in times of high prices and undertake not to buy from outsiders when lower prices are reached. A valuable aspect of the agreement was the promise made by several consuming countries—including the United States, Canada and Switzerland—to limit their own output of sugar, and the undertaking by Japan to maintain a minimum level of imports and to reserve 35 per cent of increases in demand to imports. The Asian Coconut Community is a producers' agreement under which joint policies will be formulated.[12] Discussions on the buffer stocking of jute are still in the exploratory stage[13] but Pakistan has been observing an agreed (upper) price for raw jute. India and Ceylon are continuing discussions on tea and have certain joint promotional arrangements but basically they continue fighting for a narrow market. Discussions between rubber producers have made little progress.

If Asia is now entering a period of reduced prospects of external assistance and possibly also reduced military expenditure, the effects cannot fail to reach the staple exporters. Co-ordinated programmes of production and exports demand continuous consideration as one of the readiest means of increasing the potentiality for development with less dependence on foreign aid. A still untested framework for discussions on commodity policy exists in the Association of South-East Asian Nations,[14] which includes several of the countries most directly affected in the competition for markets for rubber, tin, rice, maize and palm products.

Economic factors in 1969

Given the enormous diversity of national circumstances, only a few factors of widely spread effectiveness can be isolated. The principal among these are the development of world trade and of development assistance.[15]

It appeared at the end of 1968 that the real national product and imports of the industrial countries would expand at a slower rate in 1969 than in 1968.[16] The United States expects a significant slowing down of its pace of expansion: the rise in real output is expected to be less than 3 per cent compared with 5 per cent in 1968.[17] Only a modest increase is likely in United States imports, and a continuation of the measures for controlling capital movements. Real output of the entire group of OECD countries (including the United States, Canada and Japan) may grow at 4 per cent as against 5 per cent in 1968. Japan's output is expected to grow at 9.5 per cent as against 12.6 per cent in 1968 and 13.3 per cent in 1967, a forecast which may be too pessimistic. Total imports from outside the OECD group may thus rise less than in 1968, by 6.25 per cent instead of 10.5 per cent. Japanese imports are again likely to rise rather faster than this.

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[11] In Thailand, dissatisfaction with the quotas led during 1968 to demands for leaving the Council.

[12] See ECAFE, *Economic Bulletin for Asia and the Far East*, December 1968.

[13] FAO, *Monthly Bulletin of Agricultural Economics and Statistics*, vol.17, no,10, October 1968.

[14] Comprising Indonesia, Malaysia, the Philippines, Singapore and Thailand.

[15] Development assistance is discussed in part II, chapter 2 of this *Survey*.

[16] Organization for Economic Co-operation and Development, *Economic Outlook*, 4 December 1968.

[17] *Economic Report of the President*, transmitted to the Congress, January 1969.

All in all, the growth of product and of imports is forecast to be greater than in 1967, but less than in 1968. In the developing ECAFE countries a slower rate of export growth, with its possible retarding effect on the recovery of commodity prices, is likely to coincide with reduced aid. The lower aid commitments of 1967 and 1968 will begin to be reflected, in certain instances, in a thinning flow of disbursements; in a few instances there may be the choice between smaller disbursements and a smaller pipeline.[18] This coincidence is likely to dominate the resources position in India and Pakistan, and possibly also in Ceylon which will in any case be affected by the low level of tea prices which must be assumed to persist during the year.

China (Taiwan), the Republic of Korea and Thailand are likely to be affected by reductions in United States military expenditure after the war in Viet-Nam is brought to an end. The effect of peace in Viet-Nam on military expenditure in the Philippines is perhaps more problematical.

The transition to the post-Viet-Nam-war situation appears to have begun in 1968. Military expenditure appears to have reached a plateau and the earlier United States restrictions on offshore purchases had become fully effective. The Republic of Korea thus reduced its exports of iron, steel and cement to the Republic of Viet-Nam in 1968, and the same applied to the exports of textiles, yarn and thread, cement, building materials, fertilizers and iron and steel products from China (Taiwan). Military expenditure in Thailand and the Republic of Korea was, however, maintained during 1968.[19] Services to military personnel and the continuation of military construction activity at a reduced level are thus absorbing part of the $1.9 billion which is the direct exchange cost to the United States of the war in southeast Asia. Its cessation will affect construction capacities, certain property values and personal service incomes, and, of course, the foreign exchange incomes.

The resulting foreign exchange loss may occur in the Republic of Korea, Thailand and possibly also in the Philippines, before these countries have reduced the deficits in their trade or payments which opened in 1968. Foreign resources may therefore become an increasingly scarce resource.

Agricultural progress, especially in foodgrain production and possibly on a large scale, may be expected in Ceylon, India, Indonesia, Pakistan and Malaysia. A recovery of agriculture which is to be expected in the Republic of Korea should also bring immediate relief to the foreign balance. In the Philippines, the next stage of the rice programme may be to export and this will present special difficulties in 1969. Agricultural progress in Thailand will have to be largely for export into somewhat uncertain markets.

Industrial progress will, on the whole, continue to depend on the availability of foreign exchange, whether it involves capital formation or not. The same applies to the construction of infrastructure.

The decline of the prices of the staple export commodities in the export-dependent economies, and the transfer of income to agriculture through high support prices—a transfer which is partly channelled through the government budgets—are affecting the flow of resources into the public sectors.

These are some of the broadest common factors that should be at work in regional countries in 1969. Some of them are likely to be temporary: the deceleration in the rate of growth of world trade, trade deficits in so far as they are due to harvest failures, and some of the problems of adjustment to sharply decreasing war expenditure. The decline of certain commodity prices, however, and in particular the reduced flow of aid commitments may persist. The transformation of the traditional foodgrain economy in several countries is a permanent factor.

The short-run problems demand immediate attention, and as always there is a danger that they will delay the adaptation of economic policy to what appear to be long-run negative factors.

The most difficult of these adaptations is likely to be that of adjusting development strategy to reduced prospects of external development finance. It will demand a re-examination of techniques of production and of the objectives of development. It may also demand an overhaul of policies controlling the private sectors of the economy. In both respects, it is likely to meet opposition from accepted notions, both technological and organizational, and from strong tendencies of opinion on the economic regime. Growing independence from external help will require greater independence in working out solutions to national problems.

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[18] See part II, chapter 2 of this *Survey*.

[19] During the first half of 1968 it appears to have increased by 19 per cent to $107 million in Thailand, and by 37 per cent to $117 million in the Republic of Korea. (IMF, *Balances of Payments.*) During the first three quarters of 1968, receipts for military services in the Republic of Korea rose to $152 million, of 45 per cent of the total value of merchandise exports. Private transfers from Koreans in Viet-Nam were expected to exceed the sum of $91 million which they reached in 1967.

Chapter II

Major Recent and Prospective Problems of Economic Policy

1. External Assistance and International Liquidity

In reviewing development assistance in 1968, it is more than ever necessary to distinguish clearly between disbursements or utilization and commitments. Disbursements reflect past commitments as well as the utilization of funds committed in earlier periods which is determined by the capacity of administrations and economies to apply and absorb resources of very uneven utility. Only the sum of disbursements and the contents of the aid pipelines measure the available residue of past commitments. The year's commitments are the minimum offer for the future. But while only a minimum, the trend of commitments is nevertheless an indication of the readiness of the developed countries as a group to release resources for development.

In 1968, disbursements and commitments to all developing countries tended in opposite directions. Preliminary estimates of net disbursements to all developing countries suggest an increase of about the same order as in 1967, that is by perhaps 3 per cent. This estimate may err, if at all, on the high side. At worst there may have been stagnation. This contrasts with increases of 12 per cent in 1965 and 5 per cent in 1966.[1] Disbursements thus continued to increase, but at a slower rate.

Commitments, on the other hand, appear to have declined markedly in 1968. This decline was dominated by the reduction in commitments by the United States, which remains the single most important donor and tends to exercise much influence on the policies of other donors. The provisions in the foreign assistance appropriation bill for the financial year 1968 were 22 per cent below those of the preceding year. Of this appropriation, almost one-third was earmarked for the Republic of Viet-Nam. In one particular sector of United States aid, terms have also hardened. Commodity aid under Public Law 480, which remains of much importance to several Asian countries, was till the middle of 1967 given mainly as grants or loans repayable in local currency. Since then, progressively larger proportions of this type of aid have been given as loans which are ultimately repayable in dollars. Ceylon, which recently derived over one-third of its commodity aid under Public Law 480 Title IV,[2] and India and Pakistan in their recent agreements under Title I, have thus incurred obligations to repay all or progressively rising portions of the loans in dollars.[3]

The *United Kingdom* continues to hold the level of its foreign assistance at about £205 million per year, and devaluation appears to have reduced the real value of this transfer by 5-10 per cent. The terms of British aid continue to be of the softest, however, and some £4.5 million of Kennedy Round food aid, the United Kingdom contribution to the International Development Association (IDA) and the additional compensatory assistance to Malaysia and Singapore have not been offset against the regular aid transfers.

Japan is gradually moving into the group of the larger donors and increasingly concentrates its assistance on East Asian countries. The terms and conditions of Japanese aid have been slowly liberalized although the falling share of grants has the opposite effect. Official disbursements increased by 28 per cent in 1967 and are expected to have increased by a further 12 per cent in 1968. In 1967, total aid amounted to 0.74 per cent of gross national product.[4]

Disbursements of foreign assistance by the *Federal Republic of Germany* are estimated to have increased by one-quarter in 1968.

Foreign assistance flows to Asia from the smaller donors have also increased, on terms that are significantly more lenient than those of the larger donors.

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[1] Organization for Economic Co-operation and Development, "Development Assistance, Efforts and Policies", Paris, 1968.

[2] Under the third programme of commodity aid for Ceylon, 1967-1968. Cf. Government of Ceylon, Department of Foreign Aid, Ministry of Planning and Economic Affairs, Foreign Aid, 2 August, 1968.

[3] Ceylon incurred the obligation to repay in dollars over 21 years, with a grace period of two years and at a rate of interest rising to 2.3 per cent after the grace period.

Under the latest agreement for PL480 aid to India signed late in December 1968, the proportion repayable in dollars at the option of the United States rose to 40 per cent from the 20 per cent stipulated in the earlier agreement. The loan is repayable over 40 years with a ten-year grace period, interest rising to 3 per cent and payable in dollars at the option of the United States Government. The agreements signed by Pakistan in the second half of 1967 provided for about one-fifth of the loan to be repayable in dollars. This proportion rose in 1968 to about one-quarter.

[4] "As the performance is slightly below the average of advanced nations, our aid is expected to increase in the future and will become a significant factor in the increased outflow of Japanese capital. Aid to developing countries is significant not only from the standpoint of humanitarianism but also from the economic viewpoint. In the long-run view, the development of these newly rising countries will enable us to acquire and maintain our export markets". Japanese Government, Economic Planning Agency, *Economic Survey of Japan* (1967-1968), p. 85. The general difficulty which besets attempts at analysing and comparing the content of development assistance from different sources also affects aid from Japan. It is, for instance, necessary to exclude from aid private and official credits for the building of ships flying flags of convenience.

Assistance to Asian countries

In the ECAFE region, net disbursements of foreign assistance during 1968 are likely to have been at about the level of the previous year. Commitments, on the other hand, seem to have fallen drastically. The larger developing countries of the region appear to have suffered the greatest decline of new commitments. Generally, there has been a steady growth of return flows, by way of amortization and interest on loans. The move towards easier loan terms and grants has also suffered a setback.

New authorizations for *India* during the Indian fiscal year 1967/68 dropped abruptly to $982 million. This was 55 per cent below the level of 1966/67, when authorizations had been particularily high because in that year the centrally planned economies made their total commitment for the five-year period of the plan. Commitments in 1967/68 were also held low by the lack of funds in the IDA.

The consortium at its meeting in May 1968 recommended a total commitment of $1,450 million. Actual pledges are, however, likely to fall far short of that amount. Incomplete returns suggest a total authorization in 1968/69 of $944 million, some $40 million less than in 1967/68. The decline has thus continued. Of the recommended $1 billion of non-project aid from consortium members, which apears also to have been accepted as the target in the annual plan, only $491 million had been committed by the middle of December 1968. Non-project aid from the United States has been cut particularly drastically and its share in all such aid seems to have declined by one-third since 1967/68.

Utilization during 1967/68 was $1,586 million, about $80 million more than in the preceding year. During the first half of 1968/69 the rate of utilization fell by about 17 per cent. If the slower rate of utilization continues the pipeline of assistance at the end of the year should be about $2,676 million, slightly higher than ever before. At this level it would equal about five-thirds of average annual utilization during the past three years.

A further disquieting feature about foreign assistance to India is the rapid growth of debt service payments. During 1967/68, net assistance receipts were only 72 per cent of gross receipts. Assistance for the re-finance of debt increased over the past two years but the terms of new loans will need very drastic adjustments if serious strain in the next few years is to be prevented.

Planned development in *Pakistan* was confronted in 1968 by a decline in new commitments. Consortium pledges had risen in fiscal year 1967/68[5] to $503 million, an increase of $168 million over 1966/67 which more than offset the decline in pledges of other donors. For 1968/69, Pakistan had asked for fresh pledges of $550 million but the indications in the middle of 1968 were that consortium pledges would not exceed the level of the preceding year. Even that expectation was almost certainly too optimistic.

Disbursements (including foreign private investment) have been increasing annually since their decline in the critical year 1965/66. The annual plan projected a sharp increase for 1968/69, from Rs 3.5 to 4.2 billion[6] (about $880 million) or, in terms of project and commodity assistance, from Rs 2.45 to 2.87 billion (about $600 million). The central Government's capital budget also forecast a rise in the net use of those foreign resources which enter the budget.[7] The projected utilization would thus significantly exceed new commitments in 1968/69.

In the autumn of 1968 the contents of the aid pipeline of Pakistan were reported to be large: perhaps $215 million of commodity aid and $670 million of project aid, not all of the latter easy to use.[8] But utilization cannot for long follow a trend different from that of fresh commitments. Not having suffered recession as India did, Pakistan has increased its use of foreign resources in recent years and this is bound to affect the pipeline soon. Certain components of the unutilized stock were already running low in 1968.[9]

The programme of stabilization in *Indonesia* continued to receive support during 1968. Fresh commitments were greatly delayed during the first half of the year. The delay, which came close to precipitating a major crisis in the economy, was due in part to one donor's insistence on fishing rights at concessionary terms as a prelude to making commitments.

Indonesia originally sought $325 million from the Inter-Governmental Group on Indonesia (IGGI). Commitments during 1968 are estimated to have exceeded $390 million, as against only $176 million in 1967.

Utilization remaining at about $266 million, almost $192 million may be carried over to 1969. This reflects in part the slower utilization of project assistance committed during 1968. As economic policy turns from its concentration on stabilization to development activity, the utilization of project assistance will speed up.

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[5] July to June.

[6] Total gross external resource inflow as given by Government of Pakistan, Planning Commission, *Annual Plan*, 1968/69, p. 13.

[7] Rs 2.43 as against 2.3 billion in 1967/68. This corresponds to Rs 2.8 billion gross of debt repayment and leaves out Rs 1.3 million of assistance other than commodity or project assistance. The omitted assistance receipts amount, in the projection for 1968/69, to 32 per cent of the Planning Commission's "gross external resource inflow". Government of Pakistan, Ministry of Finance, *The Budget*, 1968/69, p. 27.

[8] "... the terms of some of these loans are hardly conducive to rapid utilization. It is said that project loans of about one hundred million dollars from various sources have not been used for the last half a dozen years for this very reason." Mr. Salamat Ali, *Pakistan Times*, 14 September 1968.

[9] i.e. project aid for the private sector; cf. Government of Pakistan, Planning Commission, *op. cit.*, p. 15.

Debt repayments due by Indonesia in 1969 have already been rescheduled to the time after 1973. For 1969, commitments of $365 million (plus $135 million in food aid) have been requested from the IGGI. Firm commitments are only expected in April 1969, but the United States has already indicated that it would provide one-third of non-food assistance provided that other participants meet the balance of the request. There were indications that Japan would contribute about one-half of this balance.

The programme of stabilization in *Ceylon* continues to attract support by way of consortium pledges of commodity aid amounting on average to about $50 million per year since 1965. Commitments in 1968 may be somewhat larger than this ($54 million were pledged at the fourth consortium meeting in March 1968) but may do little more than bring the average for 1967 and 1968 to $50 million.[10]

The rate of utilization has increased. Largely in consequence of the programme of import liberalization, utilization may have reached $52.6 million in 1968. Over $50 million of committed assistance would in that case be carried over into 1969. The bulk of assistance committed till now has been programme assistance. Since 1966 there have been only two minor project loans, both from the World Bank. As project formulation and development programming proceed, and with no external mishaps, project aid may become more prominent in the next few years.

In Ceylon also, debt service obligations are increasing rapidly and will soon demand the attention of the creditors if external liquidity is not again to come under heavy pressure.

Preliminary estimates for *Malaysia* suggest a net inflow of foreign assistance in 1968 at about the same level as in 1967. The additional 'compensatory' assistance pledged by the United Kingdom should help to stabilize assistance receipts during the next few years. The very comfortable level of foreign reserves should technically suffice to cushion the development of Malaysia against fluctuations in assistance.

Loan commitments to *Thailand* increased in 1968 by one-third, to $128 million. Disbursements of loans were only $34 million, reflecting the large element of project assistance and some limitations of absorptive capacity in the administration. Grant assistance increased steeply from $37 million in 1967 to $70 million in 1968.[11] While total disbursements of foreign assistance also climbed steeply from $73 million in 1967 to $104 million in 1968, the pipeline remains comfortably full. External reserves at the striking level of about one billion dollars should in principle be more than enough to protect the economic development of Thailand for some years against unforeseen declines of assistance.

In the *Republic of Korea*, receipts of assistance from the United States appear to have increased slightly during 1968. While these flows are much below the levels of the 1950s, the Republic of Korea remains one of the relatively abundantly aided countries of the region. Since the normalization of relations with Japan total receipts of assistance have recovered significantly.[12]

Burma has budgeted for the utilization of K 185.3 million during 1968/69—almost K 40 million below utilization in 1967/68. A slackening of assistance flows from centrally planned economies is among the probable reasons.

As regards the composition and the terms of aid to Asian countries in 1968 it appears that the grant component of assistance and the part of loan assistance that is repayable in local currency continued to decline. While the rate of interest on PL 480 loans may not have risen it is now increasingly payable in dollars. This general tendency is unlikely to have been compensated by lower interest rates and longer repayment periods. The stagnation of United Kingdom aid in nominal terms and its decline in real terms is one of the factors in this situation. In addition, the terms of loans from some of the big donors have hardened, partly because of the greater share of export credits. By contrast, many of the smaller donors continued to provide loans on easy terms. The real terms of aid are, of course, imperfectly reflected in the rates of interest and repayment arrangements but need to be considered also in terms of the nature and the price-implications of the ties. Since the onset of its balance of payments anxieties, the United States has maintained strict rules of tying aid. The unit value index of United States exports has at the same time been rising, since 1963, at almost four times the rate of the index for all developed areas.[13]

The prospect for aid

The general drift of commitments in 1968 and events at beginning of 1969 point to the possibility—to put it in no stronger terms—that development assistance will not rise in the foreseeable future above the levels attained on the average of the last two years or, at best, that it will not increase at a faster rate than in those years.

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[10] Pledges at the third meeting, in 1967, amounted to $46 million.

[11] Department of Technical and Economic Co-operation (DTEC), Government of Thailand; Office of Finance, United States Operations Mission, Thailand.

[12] If assistance disbursements are reconstructed from the import accounts which distinguish various categories of aided imports, it appears that receipts have risen continuously since 1954-1955. The receipts in the first nine months of 1968, converted to an annual rate, then represent a sharp increase over 1967, from $322 million to $447 million; official aid imports and relief imports increased by $33 million to $188 million. The official "summary of economic aid received", which is obviously constructed on different principles indicates for the first nine months of 1968 a sum of assistance which, at an annual rate, broadly equals the sum for 1967 ($97 million). cf. Bank of Korea, *Monthly Statistical Review*, November 1968.

[13] The United States index rose from 102 in 1963 to 113 in the third quarter of 1968 while that for all developed areas rose from 102 to 105; Economic Report of the President, transmitted to the Congress, January 1969, p. 331.

Balance of payments considerations in several of the major donor countries and the highly unsatisfactory behaviour of occasionally aggressive short-term capital movements are bound to discourage the risk-conscious donor countries from increasing their aid.

The state of internal affairs in the European Economic Community, apart from affecting hopes for trade liberalization, may also delay the growth of Community action in the field of assistance to non-African countries.

The flows of assistance from the centrally planned economies are increasing but not at the rate that certain Asian recipients of such aid had been expecting in recent years.

The most impressive qualification of any hope for an increase in aid at the pace seen earlier in this decade arises from the drastic reduction in the United States foreign aid appropriation for the financial year 1969. The administration's request for an appropriation of $2.5 billion, about $200 million higher than the previous year's allocation which had itself been sharply reduced, was reduced by Congress in January 1969 to $1.4 billion. Unless drastic changes in appropriations and in the speed of disbursement are undertaken in the meantime, the latest cuts will affect disbursements in the financial year 1970.

An end to the war in Viet-Nam may offer the prospect of such changes in the aid policy of the United States, but the prospect needs to be assessed with caution.

The present cost of the war to the United States is estimated at $29 billion per year, just below 3.5 per cent of United States GNP in 1968. The direct foreign exchange cost of the United States military presence in southeast Asia in 1968 was $1.6 billion above its level in 1965. Part of this expenditure is at present channelled to countries in east and southeast Asia and some part of this directly or indirectly supports activities of lasting economic benefit.

The United States Cabinet Co-ordinating Committee on Economic Planning for the End of Viet-Nam Hostilities has tentatively estimated the size of the resources that will have become free in fiscal year 1972 in consequence of a truce in Viet-Nam during calendar year 1969.[14] After allowing for the reduction of emergency taxes, the transfer of funds to other defence purposes and the general growth of resources, $22 billion would be available for new uses and would indeed have to be employed if growth and employment targets are to be achieved. To indicate the scope for employing these resources, a list of Federal civilian programmes of high priority was prepared for fiscal year 1972. The cost of these programmes amounts to $40 billion. The list includes a proposal for $1 billion of additional foreign economic aid, which will thus find itself in competition with many mutually competing major social programmes and with the taxpayers' claim for a share in the dividend.[15] As the report points out, some very difficult choices will have to be made.

A relaxation of the various measures which the United States undertook in defence of its balance of payments, notably the mandatory restrictions on foreign direct investment of January 1968 and the Interest Equalization Tax of 1963 may not, on balance, ease the long-term capital position of developing countries inasmuch as they were exempted from the impact of several of these measures.

Asian assistance receipts are, of course, also determined by the regional distribution of global aid and this tended in their favour in the earlier years of this decade. There are at present no signs of a further shift in their direction. The new strategy of IBRD seems to envisage a geographical reorientation under which loans to Africa would triple and those to Latin America would double within five years. Within Asia itself it is expected that there will be a redistribution of effort, with attention to programmes of population control and agricultural development.

The direction of possible redistributions within Asia is difficult to foretell. If recent trends continue, the larger recipients may suffer reductions in their share. The future of aid to the countries of Southeast Asia is also a matter of speculation. Much of it must depend on the nature of the Viet-Nam settlement. It is also probable that the methods of assistance which were acceptable while the war was in progress may no longer be acceptable after its end, and this may affect the quantity of assistance to individual countries.

The growth of the activities of the Asian Development Bank (ADB) should influence the distribution of aid and perhaps also its volume. Like the replenishment of the special funds of ADB, replenishment of IDA is a matter of urgency to the countries of the region. Asia received almost 71 per cent of the loans disbursed by IDA in the past. Of this almost 97 per cent went to India and Pakistan. Agreement was reached in March 1968, to replenish IDA with $400 million annually for three years. Notwithstanding special provisions offered so as to protect the United States balance of payments against the possibly damaging effects of convertibility of IDA funds, the United States contribution was blocked by Congress. The increased contributions offered by smaller donors failed to fill this gap and at the end of 1968 IDA funds had to be supplemented with $75 million from the World Bank to keep it functioning.

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[14] Economic Report of the President, *op. cit.*, p. 198 ff.

[15] "The additional amount would help to meet growth targets in Southeast Asia and under the Alliance for Progress as well as to cover other aid requirements. Even this increase would leave our foreign assistance programme below levels of a few years back." *op. cit.*, p. 205.

On balance, therefore, it seems a matter of elementary prudence to expect no increases in gross aid commitments to developing Asia. This view, if accepted, must also enter into the consideration of future aid prospects in individual Asian countries. The rising debt service obligations in a number of recipient countries would qualify even more optimistic views of the future of gross commitments. Table II-2-1 shows instances of the growth of return payments in this decade.

Expectations and receipts of assistance

Projections of external assistance have necessarily always had to be the least certain of the crucial forecasts that are required for any systematic development policy in situations of foreign exchange shortage. The activities of the World Bank, the aid consortia and the Development Assistance Committee of the Organization for Economic Co-operation and Development have greatly increased the consistency and continuity of international development aid. By their existence and their operation they have raised the degree certainty with which recipient countries could budget for future aid and they frequently lent some authority to foreign exchange budgets. This increasing rationality in the provision of aid was matched in many developing countries of Asia by an increasingly systematic and rational use of external assistance. An unexpected stagnation or a decline of aid in these circumstances, a failure of aid to meet the expectations on which carefully worked-out policies have been built, is capable of entailing difficulties and dilemmas which place the entire strategy of development in question. This is particularly likely where the strategy embodies major economic policies which could only have been adopted in the past on the expectation that external assistance would be available to support them.

The measures of economic liberalization which were undertaken in India during the 1960s were presumably framed on informed expectations of external assistance which do not now seem to have been fulfilled. A stagnation or reduction of economic aid to India would, so it seems, raise fundamental issues of development strategy, and also of feasible alternative regimes of economic control. The objec-

Table II-2-1. Gross and net disbursements of foreign assistance

A. India (million US dollars)

FY	Disbursements		Repayment
	Gross	Net	
1961/62	711	497	214
1962/63	933	747	186
1963/64	1,239	1,015	224
1964/65	1,520	1,266	254
1965/66	1,622	1,359	263
1966/67	1,506	1,187	319
1967/68	1,586	1,142	444

B. Pakistan (million rupees)

FY	External resources inflow		Repayment (principal only)	Debt servicing (incl. repayment)
	Total gross	Excl. debt repayment		
1964/65	3,213	3,074	139	346
1965/66	2,862	2,647	215	411
1966/67	3,300	2,985	315	516
1967/68	3,500	3,133	367	620
1968/69	4,170	3,750	420	715

C. United States (million US dollars)

Type of programme and fiscal period	Loans and grants	
	Near East and South Asia	East Asia
1. *Agency for International Development*		
net obligations and loan authorizations		
1962-1967 average	764	226
1968	440	230
Repayments and interest		
1962-1967 average	108	21
1968	148	26
2. *Export-Import Bank long-term loans*		
Loan authorizations		
1962-1967 average	80	26
1968	174	28
Repayments and interest		
1962-1967average	71	25
1968	89	26
3. *Economic loans and grants, by Programme*		
Net obligations and loan authorizations		
1962-1967 average	1,576	446
1968	1,279	468
Repayments and interest		
1962-1967 average	245	53
1968	348	64

Sources: India: Economic Survey, 1968/69.
Pakistan: Annual Plan, 1968/69.
United States: Economic Report of the President, transmitted to the Congress, January 1969.

tives suggested for the fourth five-year plan[16] include a halving of the dependence on external assistance by the end of the plan period. But the methods for realizing this objective are not clearly elaborated. In principle, to end aid, more aid would be needed by India in the short run.[17] This is true, at least, in so far as the Indian strategy, which includes comprehensive industrialization as a condition of long-term growth, continues to be followed. The external assistance requirements in the revised fourth plan, amounting to Rs 25 billion are far below the requirements that were implicit in the 1967 draft outline of the fourth plan (about Rs 54 billion on a comparable basis). But if the size of the 1968 commitment is a guide to the receipts that may be expected over the plan period, external assistance may fall short of this new lower requirement by perhaps Rs 9,500 million, or $1.25 billion. This discrepancy is less than the content of the pipeline of assistance in 1968 but it is not certain that the composition of resources in the pipeline is suitable for the finance of the programme or that the pipeline can be drawn down at the necessary pace. If the pipeline is capable of filling the assumed gap, it will be much reduced in quantity at the end of the plan period, and even more so in quality. This transfers the problem to the period of the fifth plan. It seems that commodity aid in the pipeline is rather low: given the present pattern of aid use, the ratio of aid stock to aid disbursement for non-project use has declined and it may dwindle to insignificance by the end of the new plan period. Any further loss of aid to India in the next five years may frustrate the plan.

The pledges of foreign assistance in the first year of the third five-year plan of Pakistan fell far short of the plan projection. In 1966/67 and 1967/68 pledges came very close to projections but in 1968/69 a significant gap of perhaps one-fifth of the requirement seems to have opened. The revision of plan priorities in 1967 in favour of quick yielding sectors and projects may not be readily consistent with the long-term growth targets that were accepted in the plan. The third plan aims at a significant reduction of dependence on foreign assistance. A stagnation of aid at this stage seems to raise issues about the compatibility of present growth policies with the target of long-term growth at the accepted pace.

Somewhat different problems are raised by the development of aid to Ceylon. The levels of consortium commitments to Ceylon appear to have settled down around $50 million per year and the further growth of aid from the centrally planned economies does not seem certain. This level of aid, and its large component of programme aid, represents a great access of resources compared with the earlier years of this decade. It nevertheless falls far short of the minimum amounts which a series of cautious studies during the past three years regarded as indispensable if the economy was to grow at a rate of 4.5 per cent per year, equal to 2 per cent per head. The World Bank's programme of 1966[18] suggested an annual net commitment of $100 million as a condition for the achievement of this rate of growth. The subsequent growth of agricultural output for domestic consumption, as well as realism, seem to explain the revision of this necessary minimum in the World Bank's report of 1968[19] to a new lower minimum of $85-90 million.

A careful review of economic development by the Ministry of Planning and Economic Affairs,[20] including the first national economic budget, warned in 1967 that commitments at the level of $50 million would demand a scaling down of the development programme.

While much hope is based on the expansion of the output of paddy and subsidiary foods for domestic consumption, it seems difficult to expect a foreign exchange saving of more than $63 million (in 1968 prices) by 1971 or 1972 from this source. Much of the agricultural import substitution was already taken into account in the estimates of the minimum assistance requirements of Ceylon. While agriculture for domestic consumption appears to have succeeded beyond expectations in the past two years, it is unlikely that more than a further $20 million saving of food imports, over and above the saving already implied in the estimates of required aid can be achieved by 1971-1972. As repayment and service obligations on past debt are rising rapidly, such an additional saving would do little more than raise the net availability of aid to Ceylon marginally above the $50 million at which commitments appear to have settled down. The generally accepted minimum of assistance needed for beginning and sustaining a new phase of development at a modest annual rate of growth seems thus out of reach. On the available information the alternatives for Ceylon are not clear.

External liquidity

The disturbances in the working of the international monetary system which were so marked towards the end of 1967 continued in 1968 and in the early months of 1969. The dollar, the pound sterling and the French franc were at various times subject to flights of short term capital. The causes of each of these runs can always be defined in terms of real economic developments and their appraisal by creditors—the balance of payments of the United States and of the United Kingdom, stagnation of exports in the United Kingdom or strikes in France. But the size and violence of international monetary reaction in the past two years reflect not merely the liberalization of capital markets and the growth of short term dollar liabilities but also acquired methods of speculative response. The immediate problem of international liquidity seems to arise not so much from any long-term decline in the ratio of international money to international trade as from this change in international monetary behaviour which is linked to changes in institutions and in the distribution of international assets. This view has implications for the institutional solutions to the problem, and especially for the manner in which the institutions will be operated to create additional liquidity. While there is no reason to believe that the creation of additional international assets would by itself have an inflationary impact there can be no doubt that an international hunt for liquidity has deflationary effects and that it proceeds cumulatively. Several developing countries show signs of having been involved in this cumulative process and there is little doubt that this costly involvement would spread unless the situation is remedied.

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[16] Government of India, Planning Commission, *Approaches to the Fourth Five-Year Plan*, Delhi, 1968.

[17] Cf. Alans Manne, "How Much Aid to End Aid?" *Economic and Political Weekly*, Special Number, August 1967.

[18] International Bank for Reconstruction and Development, *The foreign exchange problem of Ceylon*, October 1966, published by the Ministry of Planning and Economic Affairs, Ceylon.

[19] Id., *The problem of foreign exchange and long-term growth of Ceylon*, 26 January 1968.

[20] Ministry of Planning and Economic Affairs, Economic Development, 1966-1968, August 1967.

The immediate problems of 1967 and 1968 were met partly by large-scale banking operations and partly by agreement on institutional remedies. The system of Special Drawing Rights (SDR's) which had been approved at the International Monetary Fund (IMF) meeting in 1967 gained in 1968 the approval of industrial countries and of the Board of Governors of the IMF. The proposal provides for an augmentation of international liquidity through the allocation of freely usable SDR's to the consenting members of the IMF, in proportion to their quotas in the IMF. In January 1969 the state of ratification of the agreement was still insufficient to allow it to be put into effect. The crucial decisions on the volume and timing of reserve creation have thus still to be taken.

The specific policies which were adopted by the United States and the United Kingdom in defence of their balance fo payments to some extent exempted transactions with the developing countries from the restrictions on capital movements. But the willingness to move towards freer trading in the commodities and manufactures of the developing countries, and the volume of aid and its quality cannot be similarly protected. Whatever other factors have made for the recent stagnation in aid commitments and for the strict tying to which aid of the major donors is subjected, the monetary disturbances have added their quota.

The need for reserves in the developing countries, however, increases as the prospect of the level or the continuity of future aid worsens. The stricter the nature of the ties the less versatile are the funds actually received and hence the greater the need not just for reserves but for free reserves. The growing repayment obligations enhance the need for freely usable foreign exchange. These are the main aspects of the involvement of the developing countries in the liquidity crisis. To the extent that exports from the developing countries are held down or the instability of export receipts is increased by the deflationary effects of monetary disturbance one must add these to the list of effects which strengthen the demand for greater reserves. The improved reserve positions of several Asian developing countries (table II-2-2) may, in the light of these considerations, be rather inadequate.

The international reserves of most of the countries in table II-2-2 were higher in 1968 than in 1960; with the exception of Ceylon and Pakistan. Large and continuous increases were confined to China (Taiwan), the Republic of Korea and Thailand, the last-mentioned now holding reserves amounting to 20 per cent of its GDP. In India, reserves only increased in 1968 while in Ceylon the continuous drain of reserves was halted in the same year. Except for the three countries with large and continuous accretions to reserves, and for Malaysia, the situation looks even less satisfactory if account is taken of net drawings from the IMF.[21]

Table II-2-2. External reserves of developing ECAFE countries
(Official holdings of gold, foreign exchange and reserve positions in the IMF)

(In million US dollars)

Country	1960	1965	1967 end of third quarter	1968 end of third quarter	As percentage of annual imports		
					1960-1962	1965-1967	1968[a]
Burma	122	181	163	158	53.5	98.3	81.4
Ceylon	101	73	53	51	24.6	15.6	13.7
China (Taiwan)	117	300	416	417	39.6	53.1	52.3
India	670	599	579	754	26.5	21.7	29.0
Korea, Republic of	157	146	305	381	49.2	34.2	28.5
Malaysia	471	640	596	596			
Pakistan	317	221	171	203	43.1	19.0	21.0[b]
Philippines	127	189	206	170	12.9	18.6	13.1[b]
Thailand	371	739	1,043	1,041	90.8	102.1	137.9[b]

Source: International Monetary Fund, *International Financial Statistics*, February 1969.
[a] Imports in first three quarters.
[b] Imports in first half.

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[21] Net drawings are drawings on the quota over and above the gold tranche. The latter is included in reserves.

If these increases in liabilities are allowed for, only Burma has managed to increase its reserves.

The widened facilities of the IMF have fortunately been able to relieve countries to some extent of the need to hold reserves against fluctuations in export receipts. The function of reserves to stabilize the process of economic development could thus assume relatively greater importance.

The short-term accommodation which is available from the IMF has been used increasingly during the 1960s. With every successive credit tranche drawn on, economic policy in many countries has also had to take increasing account of the guidance and recommendations of the IMF. Programmes of stabilization sponsored and supported by the IMF are effective in several countries of the region.

Ceylon, India, Pakistan and the Philippines, in particular, made regular and extensive use of the IMF facilities. The Republic of Korea has only recently had recourse to borrowing against its gold tranche, while Burma after many years of abstention was forced by continuing adverse trade balances to draw from the IMF in 1967 and 1968. Net drawings by the nine countries and Indonesia totalled $781.3 million at the end of November 1968 while stand-by accommodation negotiated with the IMF totalled $100.3 million for Ceylon, the Republic of Korea, Pakistan and Indonesia. The potential availability of short-term accommodation from the IMF, including stand-by facilities, formed in 1968 quite large proportions of the total external reserves of several regional countries (table II-2-3).

The short-term accomodation which the IMF provides in case of export shortfalls is phased. The scheme allows maximum drawings of 50 per cent of a country's quota provided that no more than one-half of the entitlement may be drawn during any twelve months. The amounts thus made available are not always very adequate and the scheme can do no more than offset parts of strictly cyclical variations of export receipts.

During 1967 and 1968, Burma, Ceylon and India draw a total of $136.5 million under the compensatory financing facility. Ceylon's drawing of $39 million apparently exhausted its entitlement. Ceylon's exports fell by $49.4 million from 1965 to 1966 and by $11.9 million from 1966 to 1967.

The potential availability under the scheme to all countries of the region is nevertheless still very large. Excluding China (Taiwan) from the list of table II-2-1, the remaining eight countries have under this scheme access to additional resources amounting to about 17 per cent of their reserves. Effectively, however, the potential entitlement during the course of any twelve months will be equal to only 10 per cent of total reserves.

These schemes were developed to give net additions to the resources that developing countries should have at their disposal in the short run. They were not intended to meet the additional strain and the additional reserve needs that are bound to arise in consequence of a lessening growth or possibly even a decline in development aid or stricter limitations on the freedom to use any one loan or grant. These additional needs are bound to raise the demand for reserves on the part of developing countries, an unfortunate development which, in so far as it is due to the effects of monetary disturbances on the donor countries, seems objectively unnecessary and the outcome of a weakness in the international economic system as it was constructed and is being operated by the developed countries. Needless to add

Table II-2-3. Composition of reserves[a] in November 1968: IMF facilities

(Percentages)

Country	Available credit tranche to reserves (1)	Maximum compensatory finance to reserves (2)	Compensatory finance for 12 months to reserves (3)	(1) + (2) (4)
Burma	30.4	10.4	7.6	40.8
Ceylon	51.0	0	0	51.0
India	56.5	37.8	24.9	94.3
Korea, Republic of	13.1	6.6	3.3	19.7
Malaysia	24.8	9.6	4.8	34.4
Pakistan	82.3	46.3	23.2	128.6
Philippines	32.4	32.4	16.2	64.8
Thailand	11.4	4.6	2.3	16.0
	31.0	17.3	10.1	

Sources: IMF, *International Financial Statistics.*

[a] Gold, foreign exchange and reserve position in the IMF. Before any drawings are made on the IMF, a country's reserve position equals 25 per cent of its quota plus any lending to the IMF.

the occasional disruptive incursions of international politics into the international monetary system are particularly deplorable.

From the point of view of the developing countries, the least that should be expected from improvements in the balances of payments of developed countries and from the operation of the new scheme to augment liquidity is an improvement in the quality of aid, if its quantity cannot be raised. Ties on aid might then become temporary measures rather than persistent features of external assistance.

2. The New Agricultural Strategies: Economic Questions

1. The recent development of new seed varieties with very high yield potentials offers one of the rare instances of technological progress coming directly to the aid of economic development. Whatever the precise quantitative aspect of the success that has been achieved in scientific development and in practical application, the qualitative evidence of success is very impressive. The new high yielding varieties have thus become a chief pillar of the new agricultural strategies by which many Asian countries are seeking to transform their agriculture. The special object of the new strategies is foodgrain cultivation. The low levels and slow advance of productivity in this sector together with shrinking arable frontiers and high growth rates of low income populations make this a critical sector in the Asian economies. Bad harvests in South Asia and elsewhere from 1965 onwards and their impact on the economic policies of the affected countries have served to dramatize the strategic importance of foodgrain production. The drive for increased agricultural production and for agricultural transformation, based in varying proportions on new technology, new organizational principles and new economic policy, has become a main focus of practical development efforts. Self sufficiency in one or the other major foodgrain has been adopted as a central development objective in the medium term in Ceylon, India, Indonesia, Pakistan and the Philippines.

2. In so far as the strategies are based on the cultivation of the new high yielding varieties, they represent significant departures from the existing agricultural techniques. This holds for the content of the new strategies as well as for their premises. By envisaging "packages" containing "modern inputs", better water control and farming practices and increases in the intensity of cultivation, the current approach postulates relatively complex and sophisticated methods of cultivation. In several countries the vehicle for raising productivity is the application of modern technology, rather than institutional and organizational changes and public investments in irrigation. The organizational tasks are centered on the supply and intensive application of the modern inputs. Existing institutional patterns are not, apparently, expected to impede the adoption of the new technology and institutional change is, therefore, not accepted as a pre-requisite for its dissemination. This view derives support from the spectacular success of the new methods in raising agricultural productivity on relatively small holdings in Japan, China (Taiwan) and the Republic of Korea. In addition, it rests on the view that farmers in the developing countries can be trusted to make the economically best use of given resources so that a redistribution of these resources would not by itself raise productivity.

The remaining premises of the new policy—the development of high yielding varieties and the short duration of the crops, growing producer responses, the availability of areas with assured rainfall and irrigation, are often no less critical. Certain major questions about the economics of the new strategies at the farm level and at the national level remain to be defined. In the case of several countries it would indeed be more accurate to say that the major economic questions remain to be asked. The present note seeks to define certain of the questions.

The new agricultural strategies consist of the introduction of a new technology into the agricultural sector or parts of it, a technology which is complex but normally centres on new high yielding varieties of seeds. Four regional countries have adopted this type of strategy, in pursuit of the objective of self sufficiency in one or more types of foodgrain: India, where the new technology is part of the fourth five year plan; Pakistan; the Philippines; and also Ceylon which, however, relies on local varieties instead of the internationally developed high yielding varieties employed elsewhere. Malaysia's strategy does not much rely on high yielding varieties but rather on the techniques necessary for double cropping.

As regards rice, the expansion of the area under new varieties has been fastest in the Philippines and India, where 15 per cent and 9 per cent of the total area under rice was so sown in 1968/69.[22] Ceylon's own high yielding varieties were sown, in the *Maha* season of 1967/68, over 78 per cent of the area under rice.[23]

In wheat, where problems of acceptance and management of the new varieties are less than in rice, the rates of expansion in India and Pakistan have been striking; in India the proportion of the total wheat area which was planted with new varieties grew fivefold in one year, from about 4 per cent in 1966/67 to above 23 per cent in 1967/68; in Pakistan the share grew eightfold between the same two years, from 2 to 16 per cent.

3. The recent varietal improvement has been concentrated mainly on rice, wheat, maize, sorghum and some millets and legumes.

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[22] The corresponding percentages for other countries were about 3 per cent in Indonesia, 6 per cent in Malaysia and below 3 per cent in the eastern wing of Pakistan.

[23] *Central Bank Report*, 1968, p. 35.

The first results of growing foreign high yielding varieties of rice and wheat were only moderately encouraging, partly as a consequence of the unprecedented draught conditions which affected the region as a whole after the middle of the 1960s. Research in most countries now concentrates on evolving improved varieties by crossing foreign with native varieties.[24] Apart from the qualities of high yield, resistance to diseases and adaptation to local taste, the search is being focussed on developing varieties which are suited to different regions and climatic conditions. This is a distinct advance over the early tendencies to propagate the use of the imported foreign varieties, and is qualitatively different from the cultivation of locally improved varieties.

No firm estimates of the relative impact of the adoption of new varieties on total production in the various countries are as yet available. The actual adoption of these varieties, particularly those of wheat and maize, has been extremely rapid during the last two years, notably in India, Pakistan and the Philippines. Simultaneously, the consumption of fertilizer and pesticides has also been increasing very rapidly. These two developments broadly indicate the degree of producer response. One may add, as further evidence of response, the sharp increase since 1966/67 of the largely private investment in tube wells and pump sets in India and Pakistan, to meet the greater water requirements of high yielding varieties.

The volume and control of water supplies is technically the most important condition for the success of agricultural programmes based on new inputs, and especially of new varieties of seeds. The very vagueness of the concept of assured rainfall or water supply makes it difficult to formulate the questions about the potential of different countries for adopting the new techniques. The question is, of course, largely one of the immediate availability of suitably supplied acreages and of the cost of (or returns to) the investment needed to expand these areas. The experience of China (Taiwan) and the Republic of Korea demonstrates that the supply and control of water plays a crucial role in raising rice yields, which in turn requires drainage, and other sophisticated techniques of management and water control.[25] The existing irrigation systems in the region are based largely on the gravity flow method and on spreading the water over as large an area as possible. All technically "irrigated" areas or those under assured rainfall can thus not be automatically counted as providing the basic prerequisite of rice cultivation.

4. The most obvious farm level questions relate to the changes in the production function. Costs under the new production techniques will no longer be so heavily dominated by land and labour costs but will include significant expenditure on fertilizer, pesticides and hired labour. This implies a high cash component in variable cost, and also an increase in the ratio of working capital to the total capital requirement. For example, it is estimated that output of both wheat and rice is maximized by the application of an optimal dose of fertilizer of 100-150 kg/ha, other things remaining the same. This reflects marked changes in the structure and behaviour of costs. It also implies relatively unexplored changes in the profitable range of production possibilities. The question of producer responses thus depends upon the relative changes in productivity, costs, and degrees of risk.

Partial evidence from the analysis of experimental results and from actual farming[26] provides a broad indication relating to these aspects.

In experimental conditions, new varieties of both rice and wheat have been found to give yields 200-300 per cent higher than traditional local varieties. The results of actual cultivation show increases of between 40 and 50 per cent. The differences have largely been explained by such factors as sub-optimal use of inputs—actual doses of fertilizers and pesticides falling much short of the recommended levels—high incidence of pests and disease, inefficient combination of inputs and the use of unsuitable seed. In various places in India, maximum yields per hectare for rice and wheat were obtained which exceeded the average yields in Japan, China (Taiwan) and the Republic of Korea. In general, the results are more encouraging for wheat than for rice: yield increases for wheat are more substantial at low adoption levels (70-100 per cent) and very high at high adoption levels (over 200 per cent). In some instances reported from Maharashtra[27] and West Bengal[28] and (eastern wing) Pakistan,[29] the yield per hectare of certain high yielding rice varieties was found to be less than from existing varieties. The experience of Ceylon in cultivating IR-8 has been less than satisfactory.[30] These results are tentative as they relate to particular areas and crops and hence one must beware of generalizing from them to the prospects of wider regions.

Profitability calculations are similarly based on partial data, and on levels of relative prices of output and inputs which differ even within countries. Besides, the true cost function is not reflected in even these partial calculations, as the relative prices conceal elements of subsidy which in some cases amounted to 30-50 per cent of the cost of modern inputs. In India where such price distortions through subsidy are least important, the proportional increase in profitability is less than in yields. This in turn implies that the cost of cultivation per hectare is higher for the new varieties. The average increase in yield per unit of fertilizer works out to be between 15:1 and 20:1, as compared to 8:1 in the case of the local varieties.[31] Such estimates are obviously very poor indicators of the true costs and benefits and hence point to the necessity of more comprehensive calculations for a proper evaluation of the efficiency of the new technique. In most instances there can be no doubt about the qualitative answer: the new techniques are decidedly more efficient. This may often be enough to justify action, especially if the required investments are divisible and can thus be undertaken in stages, or if they have been accepted as necessary (and socially profitable) in any case. But the firmer the response to the new opportunity, the greater is the importance of finding answers to the quantitative question: by how much the new techniques are more efficient than the old ones, how their yields vary with the size of the programmes, and how the new techniques affect the social profitability of applying the scarce resources to agricultural developments of different scales. While these answers are still quite unknown, it is the duty of the economist to warn against decisions that depend for their justification on a particular answer to these questions.

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[24] See for example, M.S. Swaminathan, "Scientific implications of the HYV Programme", *Economic and Political Weekly*, Annual No., January 1969; and country papers presented at the eleventh session of the International Rice Commission, Tokyo, 28 October - 2 November, 1968.

[25] See K. Kakse and T. Kano, "Development Strategy of Irrigation and Drainage", in *Asian Agricultural Survey*, Asian Development Bank, March 1968, and S. Ishikawa, *Economic Development in Asian Perspective*, Tokyo, 1968.

[26] See R. Barker and E.U. Quintana, "Farm Management Studies of Costs and Returns in Rice Production" I.R.R.I. Philippines, mimeo.; "Economic Analysis of Rice Production from Experimental Results to Farmer Fields", by Barker, Liao and Datta, paper presented at Agronomy Department Seminar, University of the Philippines College of Agriculture, 9 August 1968. For India, various studies in, the *Indian Journal of Agricultural Economics*, Oct-Dec, 1968, and *Economic and Political Weekly*, various issues 1968. Various HYVP Evaluation Reports in India, Amvarul Hagues "Cost and Returns" Comilla, Pakistan 1968, see also various papers presented at the International Rice Commission's eleventh session at Tokyo, 28 October - 2 November 1968.

[27] Gohale Institute, Poona, Evaluation Reports, 1967.

[28] Sen Gupta and Ghosh, "HYVP rice-performance in a Bengal District", October 1968.

[29] Dr. M. Quintin, "An Evaluation of World Farm Grains and Food Problems", *Foreign Agriculture*, October 1968.

[30] National sources, Ceylon.

Judgments relating to the degree of risk in the adoption of the new techniques are also difficult to make. It is, however, often reported that a high degree of risk has dampened producer responses.[32] Special factors which have tended to increase risk are the susceptibility of the new varieties to various diseases and pests due to high fertilizer doses, and the inability of farmers to sell the produce due to consumer resistance. More often than not, the new varieties have fetched lower prices than the locally improved ones. The inadequacy of organization to provide inputs and working capital, the need for which is particularly great in view of the low risk bearing capacity of the numerous small farmers, has added to the riskiness of the new technique. The short maturity period of these varieties is one of their great advantages but it also leads to high risk. By altering the entire pattern of farming as required for multiple cropping, new problems of quick harvesting, drying, removal of the crop from the fields and storing augment the risks of the new technology.[33]

Some of the risk arises from inexperience and the aversion to risk, however justified for the farmer, may be excessive from the social point of view (it may, for instance, be due to imperfect credit markets). These are standard reasons for offsetting riskiness by monetary subsidies ("incentives"). The same means may be required to lead farmers to the best combination of inputs. Such subsidies may be given directly or through the mechanism of prices (low input prices and/or high grain prices), tax concessions on certain investment, loans on easy terms etc. One or a combination of these incentives has been tried in most countries of the region. Pakistan and Ceylon subsidize fertilizer use to the extent of 30-50 per cent of market price. In Pakistan tax concessions and incentives such as import facilities are given to encourage investment in agriculture. In India, subsidies of all kinds are gradually being removed.[34] Subsidies in kind were provided till recently in Indonesia under the BIMAS scheme of agricultural development.

Grain prices have also risen considerably in the last four or five years throughout the region. The terms of trade have turned significantly in favour of agriculture in a number of countries, including India, Pakistan, Ceylon and the Philippines. The need to maintain prices of grains at higher levels is being suggested in several influential quarters.[35] Two conclusions follow from the size and frequency of these incentives. First, the premise of the new strategy which relates to the ready responsiveness of producers to economic opportunity cannot be accepted as having been unambiguously confirmed by experience. The area increases may in some instances be due mainly to exaggerated demonstration effects and thus be short-lived. One may therefore have to return to considerations of institutional reform to increase the responsiveness of economic decisions and this will also have the merit of keeping a better control over the distribution of income than a policy of monetary incentives to farmers allows.

Secondly, subsidies and higher prices are more easily given than taken away. Incentive policies thus contain potentially long-run decisions and as such require clearer insights into the quantitative aspects of the new techniques than are at present available, or even—and this seems the important point—than are at present acknowledged as necessary by many policy makers.

Some of the questions arising at the farm level can easily be translated into terms of the total economy. Additional questions relating to employment and equity have to be added.

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[31] FAO, *op. cit.* p. 16 and papers presented at the International Rice Commission, *op. cit.* This rather primitive ratio relates the maximum increase in yield due to the application of fertilizer to the input of fertilizer. The increase in yield is thus measured at the point where additional fertilization would *reduce* output.

[32] See India, Planning Commission, Programme Evaluation Organization, *First and Second Evaluation Reports*, 1968, see IBRD Report on Pakistan, and for Philippines, see articles *op. cit.*

[33] This point is quite clearly brought out in various papers presented in the International Rice Commission's Session at Tokyo, 28 October - 2 November 1968.

[34] *Economic Times*, 10 February 1969.

[35] FAO, *op. cit.* p. 49, and Asian Development Bank, Asian Agricultural Survey, vol. I, 1968, p. 43.

In the context of planning the basic question that arises is, would the new strategy lead to a marked shift in the existing priorities and in resource allocation? In particular, will it involve a shift of emphasis, in terms of investment allocation, away from the producer goods industries to agriculture and hence to greater dominance of market forces? The implicit additional demand for fertilizers, pesticides and machines and tools—pumping sets, sprayers, drill machines, drying equipment and tractors—is likely to be substantial. So will be the additional water requirement, in particular the infra-structure necessary for better water control and management. Some changes will be unavoidable, in the composition of industrial outputs and the use of foreign exchange.

The problem of resource mobilization arises because of the low rates of saving within agriculture, but especially because of the ubiquitous difficulty of taxing agriculturalists. This may be found to argue for restraint in offering monetary incentives to farmers without good grounds for believing that they are a superior means of achieving the end of greater productivity than other forms of economic policy.[36] It is true that a remarkably rapid increase has taken place recently in private agricultural investment. But the extent to which this has been financed from agricultural savings is difficult to assess.

The new strategies also imply the reallocation of scarce inputs among the agricultural sectors in different areas. The concentration of these inputs on the most suitable areas is a basic principle of the new strategies. Apart from sharpening the dualism within agriculture and the disparities in income distribution, this regional concentration raises questions of the optimality of input allocation. A highly simplified programming exercise on the experimental results in India highlights the possibility of the prescribed allocation of inputs being sub-optimal.[37] These results may fail to take account of the wide differences between the actual intake of inputs and the optimal intake. There is, however, no doubt that the new techniques will affect the availability of these inputs in regions other than these under high yielding varieties, and problems of regional imbalance will be accentuated as a result.

The effects on employment and equity rank high among the problems associated with the new agricultural policies for which solutions have to be considered immediately. It is often argued that the new techniques are basically labour-intensive. This appears to be generally true, provided that labour intensity is defined as labour input per hectare. It is not necessarily true if labour intensity is defined as the capital—labour ratio or as the labour input per unit of output. In almost all cost calculations, the labour requirements of the new varieties are considerably higher than those for the local ones. This follows from the higher yields and the greater use of inputs per hectare. But there is no evidence to suggest that the proportional increase in the labour requirement is greater than that of either production or overall capital. The net effect on employment will thus depend on the effect of the new methods on the total area cultivated. Labour shortages at peak period are currently being felt in regions which have adopted the new techniques, and they are generating tendencies towards mechanization in at least certain processes. Other aspects of the cultivation of high yielding varieties also induce a greater use of machines and tools in the place of labour.

The new agricultural strategy appears to be biased in favour of the large farmers, who have better access to good land, credit, transportation, marketing facilities and storage capacity. It thus reinforces the very skewed distribution of land and other assets. At the same time there is much evidence for an inverse relation between productivity and the size of holding, i.e. for the absence of scale economies. Since the new techniques are mainly available to the large farmer, and as organization may support this bias, the net results may be smaller than they could be. This is an argument for supplementing and perhaps partly replacing reliance on market incentives by institutional intervention to foster the adoption of the new techniques on the most productive farms.

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[36] Interesting quantitative questions relating to resource mobilization and foreign aid arise from the Indicative World Plan for Agriculture of FAO. High yielding varieties were assigned a major role in achieving a rate of growth of about 6 per cent of GDP, varying from 5 to 7 per cent for the period 1962-1975, for eight countries of the region: Ceylon, China (Taiwan), India, Republic of Korea, West Malaysia, Pakistan, Philippines and Thailand. The corresponding growth rate for agriculture and allied activities is taken as 3.3 per cent and that of the rest of the economy as 7 per cent. These expectations are not excessively optimistic. These very growth rates are now being considered feasibe in India, Pakistan and elsewhere. The financial implications, however, are considerable. The value of purchased inputs for agriculture will increase 3½ times over the period. Investment required for irrigation, machinery and equipment will be 15.3 per cent of total investment, at an implicit incremental capital output ratio (ICOR) of 2.6. Relative to GDP from agriculture, the investment will be 8.3 per cent. But rough calculations of the ICORs of six countries show them to have been between 0.26 and 1.26 as against the figure 2.6 which is implicit in the FAO projection. When the ICORs are adjusted to include working capital the difference widens. Such large differences clearly imply a need to step up resource mobilization and demand a large redistribution of resources in favour of agriculture.

[37] B.S. Minhas and T.N. Srinivasan, "New Agricultural Strategy, Analysed", January 1966. Also R.W. Cummings, R.W. Herdt, S.K. Ray, "New Agricultural Strategy Revised", *Economic and Political Weekly*, October 1968.

3. Techniques of Economic Policy: Annual Planning

The advent of annual planning

Annual planning is a recent addition to the range of managerial and development techniques of Asian developing countries. Its meaning and effectiveness vary much between different countries, but its growth, if at this stage only as an experimental technique and administrative exercise, signifies an awareness of great opportunities for making economic policy more rational and coherent.

Annual plans have already been prepared by India (since the third five year plan, 1961-1965), the Republic of Korea (since 1962 and, regularly, since 1966), Thailand (1967/68) and Pakistan (1968/69). The Republic of China began to work along these lines in 1967 and is currently concentrating on improving its annual forecasting.

The existing plans differ much in coverage, and the differences are in part related to the state of medium-term planning in the various countries. The role of the annual plan as a tool for the implementation of medium-term plans has been accepted in the Republic of Korea and Pakistan. This is also the case in India, where it is only the present obscure position of the five year plan which leaves the annual plan much on its own. As a one-year stage in a multiyear plan, the annual plan needs not only to take its bearings from the longer plan but also to serve as an occasion for adjusting the medium-term plan. This is done explicitly in the "over-all resource budgets" of the Republic of Korea.

The natural occasion for the inception of annual planning is the annual budget and the work for its preparation. It is in connection with the budget that annual planning should be able to make its first contribution to economic management by elaborating the physical counterpart of the financial provisions and projections and by spelling out in greater detail the wider setting of the budget: the balance of payments, investment and consumption and monetary implications. In principle, the annual plan is to provide for the budget a wider framework and this requires close attention to the situation and the development of the private sector and a consideration of all major sectors of economic policy.

Annual planning, like budgeting, tends to start from the activities of the government or the public sector at large. In Pakistan, for instance, the precursors of the first annual plan were the annual development programmes of the public sector. Thailand's first annual plan concentrates on the public sector, and the emphasis in the latest Indian annual plan remains on the activities of the public sector. An extension of coverage to include forecasts for the private sector, explicit provisions for its needs and policy statements of the desired direction of private activities, is attempted in Pakistan, and especially in the Republic of Korea. In Korea the coverage of the annual plan is formally comprehensive and extends to the investment priorities and programmes in the public as well as the private sectors.

The chief purpose of annual planning—apart from giving information to all the parties in the economy—is to consider policy. The unavoidable fragmentation of policy decisions—their dispersal between different autorities and over time—can in principle be lessened. This in itself holds out the promise of a great increase in the productivity of policy. Budgetary decisions, including expenditures, tax and borrowing policies, are likely to be the first field in which a general examination of the economic situation and the effects of policies in financial as well as physical terms will bear fruit. The budget, however, is nowhere the only tool of economic management. To make budgets consistent with credit policy, import policy and industrial licensing (where practised) would be a major achievement in most countries, developing or developed. Annual planning offers an opportunity for this attempt. The annual plan of the Republic of Korea seeks to do this already and the plan of Pakistan moves in that direction, helped by the influential participation of the planning commission in the committees which formulate economic policy. The specification of policy is nevertheless the most difficult part of the exercise; the quality of forecasting, the understanding of the behaviour of the economy and the different points of view and habits of the various policy making institutions combine to make it so. The difficulty is reflected in the policy sections of the annual planning documents, in so far as they seek to cope with this task at all.

Only a close study of each case will show how seriously the opportunities of planning, annual or medium-term, are being pursued at the level of the technical construction of an annual plan and especially as regards the influence that it is allowed on concrete decisions. As a mind-clearing operation it is bound to help the participants, who are drawn from a variety of government agencies. Even in its early stages it offers opportunities for reaching agreement on the behaviour of the economy or on the policies of different organizations within the state, or for recognizing conflicts of view such as may exist, for instance, between central banks and ministries of industry or planning offices. Beyond this, the quantity and quality of economic information are likely to be improved.

As regards the effectiveness of annual planning in countries where it is currently being developed, this is likely to depend very much on the quality of the plans. The necessity to run the economy in the the short run—by the budget, if by no other means—is unavoidable. The task is normally in the hands of politically very strong authorities. If the annual plan is to have an influence on their decisions and routines it must offer, and keep, the promise of tracing out a more satisfactory course of action for economic management than the traditional methods. The quality of the forecasts of the annual plan—for periods which because of their shortness are particularly difficult to forecast—and its analytical statements about the effect of one thing on another are thus likely to determine the rate at which it can gain effectiveness. This itself presents a strong case for giving expert help to the work and for promoting its success by the international exchange of experience which ECAFE has recently initiated.

Chapter III

Economic Development and Economic Policy: Report on the state of nine Asian developing economies in 1968

Ceylon

National product

After two years of very disappointing rates of growth, the real domestic product grew by over 4.4 per cent in 1967. This growth further accelerated during 1968 to 8.3 per cent.

In 1968 as in 1967 the addition to national product was provided mainly by increased production for domestic use. This was achieved largely by fuller utilisation of existing capacities in agriculture and industry.

Agriculture for domestic use

By guaranteeing prices of outputs, subsidizing inputs and improving the machinery of agricultural administration and extension services, the Government concentrated its agricultural policy on stimulating non-export agriculture. After devaluation, the guaranteed price of rice was raised by 17 per cent and agricultural producers were allowed under the new foreign exchange system of March 1968 to import their production requirements at the lower official rate of exchange. Growth in non-export agriculture was greatest in the production of rice. Rice production increased by 26 per cent in 1966 and by 21 per cent in 1967. In 1968 rice production rose 17 per cent, by 130,000 tons, much like the absolute increase in 1967. Production has thus reached 889,000 tons. The share of domestic production in total availability of rice increased from 57 per cent in 1966 to 67 per cent in 1967 and 72 per cent in 1968. The achievement of self-sufficiency in rice is now expected to come about around 1973.

Increases were also recorded in the production of other subsidiary foodstuffs.[1]

The output of tea rose only 2 per cent and that of rubber by 4 per cent. Coconut production, however, recovered its level of 1965. The output of rubber, and the yield per acre, are likely to rise steadily as additional replanted acreage reaches maturity. The prices of both tea and rubber declined further in 1968.

Industry

During 1968 the availability of foreign exchange for the import of inputs into manufacturing was increased, and liberalized importing procedures allowed these inputs to be brought quickly to the industries that demanded them. Value added in manufacturing, which had increased by 4.4 per cent at constant price during 1967, grew by 7.7 per cent in 1968. Continuing improvements were evident in the workings of the public industrial corporations and in the efficiency of private industry. With the availability of more imported inputs, the quality of output improved together with the efficiency of production. Large units in the public sector—tyres and tubes and iron and steel in particular—were coming closer to full capacity output. Fuller utilization of existing capacity was also reported by other state industrial enterprises[2] and the private sector in industry. Following the fuller utilization of available capacity in 1960, licences were again issued, after a long pause, for the expansion of capacity and for new industries in the private sector.

Trade and payments

Exports continued to be disappointing and disquieting. Prices of tea and rubber were, on average, less than in 1967 while the export volume of tea fell. Export prices and quantities increased in the case of coconut products. In total, export earnings in 1968 were down to the lowest level since 1953.[3] Imports declined further by $20 million to $393 million.

The balance on current account improved slightly but external reserves could only be maintained at about $78 million by incurring further short-term obligations to the IMF and by further supplier's credits.

The higher rate of growth of national product in spite of reduced imports was made possible by many factors. With the liberalization of imports and the reform of the foreign exchange system, large supplies of hoarded commodities seem to have come on to the market. Economic activity was also concentrated in agricultural production for domestic use which has a comparatively small import component.[4]

The most important feature of imports in 1968, apart from their probable decline in total, was the continuance of the decline in imports of rice and other foodstuffs of agricultural origin and the increased imports of inputs into production. The renewal of the rice-rubber pact with mainland China in late 1967 effectively ensured that a minimum of 200,000 tons of rice would be imported from mainland China.[5]

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[1] During the main harvesting season (Maha season) of 1968, production of potatoes increased four-fold; maize two-fold and onions by one-fifth.

[2] During the first half of the year, state industrial corporations reported that production of cement had increased by 45 per cent; ceramics by 50 per cent; mineral sands by 60 per cent and plywood by 30 per cent. Of these, mineral sands are almost totally exported while plywood does partly enter the export market in the form of tea chests.

[3] When expressed in $ terms.

[4] Ceylon imports a great deal from countries which also devalued in late 1967 (in particular, the United Kingdom). Import values expressed in dollar terms could thus very well under-estimate the real quantity of imports.

The Foreign Exchange Entitlement Certificate scheme

In a major move of liberalization, a two-tier price for foreign exchange was introduced in May 1968. Under the scheme, exporters of traditional commodities have to sell export proceeds to the Government at the official rate of Rs 5.95 to the US dollar. Exporters of non-traditional commodities and services are, in addition, given Foreign Exchange Entitlement Certificates (FEEC's). Even though the initial description of the scheme envisaged the free sale of the certificates at whatever price they would fetch, in practice their price has been controlled by the intervention of the authorities, which have been selling certificates at about 44 per cent above the official (par) value.

Imports of essential commodities such as rice, fertilizer and essential medicines are permitted at the official rate. For the rest, imports can only be made against FEEC's. A wide range of these imports, consisting of industrial inputs, were placed on Open General Licence and liberal quotas were assigned to the rest. Luxury items continue to be banned.

If the supply of FEEC's had been confined to what was earned, supply and demand would only have become equal at a very high price of foreign exchange. The Central Bank, therefore, at first auctioned additional quantities of FEEC's. After two auctions, however, the Central Bank decided to fix the FEEC rate at a level 44 per cent higher than the official rate. Ceylon thus operates a dual price system for foreign exchange, with both prices fixed. The scheme has become an important source of government revenue, has led to the revaluation of foreign exchange for a large sector of imports, and transfers some of the monopoly profits on imports from importers to the Government and to the yet small exports of non-traditional commodities. If the two rates are kept fixed, the proportion of quota profits that are thus transferred will vary with the availability of foreign exchange.

Foreign assistance

Foreign assistance played a crucial role in the improved performance of the economy. Foreign assistance has barely amounted to one-half of what was thought necessary for the transition from stabilization to growth. But the aid that was received came in the forms that were most useful to the economy.

On average about $50 million has been pledged by the consortium annually since 1965. Disbursements of assistance have continued to increase consequent on better procedural arrangements and the liberalization of imports for production. During 1968 disbursements were, at $52.6 million, about 7 per cent above the levels of 1967.

To assist the programme of stabilization, aid from the consortium has largely taken the form of programme aid, of which over one-quarter has been used for consumer imports. While the increase in production for domestic use should allow a reduction of consumer imports under aid programmes, a greater effort might well be called for in the future to utilize foreign assistance only for directly productive activities. (To the extent that aid is tied to specified commodities, of course, this might not be possible.)

Project assistance has been insignificant since 1965 except for continuing activities in a few large state industrial enterprises. The need for project assistance is likely to increase after existing capacities in agriculture and industry have been brought into employment. Better industrial planning might be required to prevent the proliferation of small units in the industrial sector.

Largely as a result of the short-term borrowings contracted during the recent past, the burden of debt servicing in the near future is likely to be heavy.

Monetary and fiscal policy

A major element of the programme of stabilization since 1965 has been restraint on credit creation.

With the increased availability of programme aid and changes in policy, credit creation for governmental uses has been successfully reduced. The budget for 1968/69 envisages an increase in both current revenues and capital expenditure of over 14 per cent. Revenue from the sales of Foreign Exchange Entitlement Certificates was expected to total Rs 360 million. The budget deficit, which was estimated to increase steeply to Rs 851 million, was to be totally financed by non-expansionary sources of finance, that is, by the counterpart of commodity aid, project assistance and non-bank domestic borrowings.

The 1968/69 budget reduced direct taxes both by lowering marginal tax rates and by providing greater relief to the lower tax brackets. With the increase in production for domestic use and the increased liberalization of imports, revenue policy is veering towards a greater reliance on indirect taxes. The export and import tariffs have been rationalized and simplified by the adoption of the Brussels nomenclature[6] classification. The turnover tax on manufacturing which was introduced on October 1968 may recover for the authorities part of the directive force that was earlier exercised over inputs for industry through import and exchange controls. The turnover tax is payable by all 'manufacturers' (interpreted quite widely to include assembly and packaging as well) with a gross business turnover of over Rs 100,000 a year. The tax varies from 1 to 10 per cent and it is hoped that the differential impact of the tax will make possible the enforcement of industrial priorities. Production for export is exempt from the tax.

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[5] The five year trade agreement terminating in 1967 as renewed for five more years was to be governed by annual contracts. The contract for 1968 provided for the export from Ceylon of 75,000 tons fo rubber at a small premium over the Singapore market price (and with an added premium for the export of RSS 1 rubber). The contract accounts for over one-half of estimated exports of rubber in 1968. Ceylon contracted to purchase 200,000 tons of rice at a price below that ruling on the world market. Total imports of rice in 1968 are estimated at 340,000 tons.

The protocol for 1969 provides for the exchange of 62,000 tons of rubber for 200,000 tons of rice. Imports of rice are estimated to decline further by 50 per cent to only $36 million in 1969. The entire impact of the reduction would thus be likely to fall on imports from Burma and Thailand.

[6] Import duties were also, henceforth, to be levied on c.i.f. values and not, as hitherto, on market values.

Export duties were adjusted at the time of devaluation to absorb the increase in rupee proceeds. A small rebate of export duty was allowed to tea sold at the Colombo auctions while the export of packeted tea was granted a more substantial reduction.

Monetary policy

Monetary policy continued to be restrictive in total and selective in allocation. Along with the introduction of the FEEC scheme in May 1968, the Bank Rate was raised by one-half per cent to 5½ per cent. Commercial bank credit was restrained by ceilings while the Central Bank seems to have succeeded in directing credit to priority sectors. Bank advances for imports were further tightened by the requirement that they be limited to 8 per cent above the level at the end of August.

A better sectoral distribution of credit seemed to be emerging during 1968.[7] Credit controls were gradually relaxed towards the end of the year.[8]

Prices and wages

With devaluation and the FEEC scheme, prices, costs and wages reacted upwards. The change in the rice subsidy also pushed up the market price of rice.

To a very large extent the burden of the increased prices was absorbed directly by the government budget. The increased import prices of rice and dhal were not passed on to the consumer; the guaranteed price to the rice producer was increased by 17 per cent and devaluation allowances were paid to lower-paid government employees and pensioners.[9]

Price increases during 1968 appear to have been held down by drawing on stocks. The full impact of the increased cost of inputs into industry is also likely to have occurred during the latter half of the year. The very high import content of most industry makes it more than probable that the prices of outputs will increase quite considerably and the full impact will be felt during 1969.

The Problems of 1969

The stabilization programme which was prescribed for Ceylon by the World Bank in 1965 was based on the diagnosis of suppressed inflation and aimed mainly at the restraint of government expenditure. This restraint has been practised. The increased inflow of foreign exchange in a form usable for the import of materials for production and the successful application of new technical and administrative methods to agricultural production for domestic use have made it possible to utilize existing capacities much more fully than before. The increased agricultural output and the increased industrial output from given capacities add up to the observed growth of product in 1967 and in 1968. Aid continues at about the same level of $50 million and the decline in the prices of rubber and tea appeared, at the end of 1968, to have come at long last to an uncertain halt. The price of rubber recovered but tea may again move down because of the reduction in the Indian export tax. The progress of import substitution, especially in agriculture, seems thus the main source of additions to the free foreign exchange available for development expenditure. It seems essential to use this addition with great deliberation in adding to productive capacity. Gross domestic capital formation has been rising somewhat as a proportion of GNP but its share in 1968 was still only 16.3 per cent. Investment in machinery and vehicles may in fact have declined in 1968, very slightly so in Rs terms but certainly to a much greater extent in real terms. Investment appears to have undergone improvements of quality and it has been concentrating more on quick-yielding projects such as adaptations of irrigation systems instead of the construction of major new schemes or big schemes of land reclamation. But if full advantage is to be taken of the wedge of agricultural import substitution that will reflect itself in the foreign exchange budget, capital formation will need to rise and the growth of consumption will have to be restrained. To hold down consumption while so much of the addition to output and income is occurring in domestic-use agriculture is a new Asian problem from which Ceylon also is not exempt. The addition to investible foreign exchange resources during the next five or six years is now calculable. The indentification of development opportunities and the direction of investible resources towards them appears to be the chief task of policy. The improvement of the methods of project formulation continues to be worked on in Ceylon. In the meantime, the selection of projects proceeds very much in an *ad hoc* manner and depends greatly on the availability of foreign finance for the project. No formal development plan has been worked out. Instead a broad development strategy, based on consistent estimates of resources and uses, provides some guidelines[10] while the sectoral analysis of production potential and associated input requirements is being developed in the Ministry of Planning and Economic Affairs.

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[7] Bank advances for industry and export showed significant increases in the first half of the year. The increase in advances for imports was negligible.

[8] Government corporations were excluded from the credit ceilings; the base for the credit ceiling could be either end-August or end-September; credit for exports was allowed to rise 15 per cent above the ceiling while temporary advances connected with monthly wage payments were allowed to exceed the ceiling by 10 per cent during the first half of any month.

[9] The private sector also being compelled to grant similar increases in allowances.

[10] See Ministry of Planning and Economic Affairs, Economic Development 1966-68, August 1967.

Overall planning will have to await the results. In the meantime a certain amount of departmental planning is being undertaken. The Ministry of Agriculture can thus sum up in its annual plan feasible production targets established on the basis of village level enquiry. To meet the targets the Ministry seeks to assure the arrival of necessary inputs. The availability of such techniques of partial planning may be a promising administrative basis for the development of techniques of overall guidance.

China (Taiwan)

According to preliminary estimates, aggregate real growth in China (Taiwan) accelerated moderately during 1967 and 1968.[11] Real national income per head grew at rather more sharply accelerated rates as the rate of population growth slackened somewhat; the lack of comprehensive information on income distribution makes this measure ambiguous. The long-term patterns of growth in major aggregates and in production indices indicate that the thrust of the economy's expansion is far from spent. Yet the increasing dependence upon export markets and sources of supply and on an inflow of foreign capital for a programme of accelerated investment if anything increases the island economy's vulnerability to external shifts. Pressure on domestic resources are reflected in rising wage demands, and keep inflationary pressures alive. Monetary measures and favourable production results have held these pressures at bay but incipient inflation threatened during most of 1968.

Overall growth, 1967 and 1968

Growth during 1967 and 1968 is best seen in the perspective of performance during the 1960s, which in turn shows an improvement over the preceding decade. In summary form the major aggregate measures of growth are shown in table II-3-1.

Exceptionally high growth rates in 1964 and 1965 reflect the upsurge in investment in those years and in exports during 1963-1965; the subsequent rate of expansion of these two expenditure components has been more moderate. Gross fixed capital formation, however, continues to expand by nearly 25 per cent per year in 1965-1968, providing the basis for continued rapid growth in production. Investment and exports, and on the production side, construction and manufacturing were the most rapidly growing sectors in recent years. These leading sectors are mutually supporting. An increasing share of industrial output goes to foreign markets; investment goes increasingly to industry and is in part dependent on external sources; and industry depends increasingly on imports for both capital goods and material inputs.

Investment

The year 1968 was the final year of the Government's fourth four-year development plan. That most of the broad targets established by the plan were overfulfilled reflects both the character of the plan and the success of the Government and business in exploiting the opportunities for growth. According to the plan, gross investment was expected to rise by 15.4 per cent per annum; in fact real investment grew at an average rate of nearly 25 per cent per year. A substantial share was to be in the public sector, for the expansion of government enterprises and public corporations and for infrastructure. In constant

Table II-3-1. China (Taiwan): average annual rates of growth

(At 1964 prices)	1961-1964	1965	1966	1967	1968[a]	1965-1968
GNPmp	9.6	12.4	9.3	9.9	10.3	10.5
National income per head[b]	7.6	2.8	4.9	6.5	7.2	5.4
Population[c]	3.3	3.2	3.0	2.7	2.5	2.8
Private consumption	9.0	7.4	7.1	7.4	6.2	7.0
Capital formation	11.5	32.2	11.9	20.0	13.8	19.5
Exports (goods and sevices)	19.3	25.2	18.9	16.6	9.0[e]	17.4
Imports (goods and services)	11.2	26.7	4.0	25.3	3.7[f]	14.9
NDPfc[d]	9.9	10.5	9.1	9.4	8.1	9.3
Agriculture	5.9	7.2	4.6	3.2	3.2	4.5
Industry	12.8	7.2	11.5	13.0	12.5	11.0
Services	11.0	14.8	10.4	10.4	8.1	10.9

Source: Directorate General of Budgets, Accounts and Statistics, Executive Yuan, *National Accounts of the Republic of China* (October 1968).

[a] Preliminary.

[b] Corrected for changes in the terms of trade.

[c] Implicit rate from GNP and GNP per head.

[d] Deflated by implicit deflator for aggregate NDP.

[e] The value of exports of merchandise, at current prices and in U.S. dollars, increased by 25 per cent.

[f] The value of imports of merchandise, at current prices and in U.S. dollars, increased by 15 per cent.

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[11] See table II-3-1 and note that these estimates were published in October, 1968.

prices, government capital formation exceeded the plan estimates by one-eighth and private investment by fully one-fifth. In the circumstances, the Government could scarcely determine the volume of private investment, but the inducements provided to foreign (as well as national) capitalists were ostensibly effective. Direct inducements include the now common array of tax reliefs, provision of overhead facilities and the like; less direct but also efficacious were a tax structure heavily slanted towards indirect taxes and a monetary-fiscal policy which has until recently maintained remarkable price stability. The lack of an effective trade union movement has contributed to keep wage levels low by international standards; in 1967 and 1968, however, pressures to raise wages were mounting. Largely as a result of the continued favourable prospects for exports, the investment climate has been exceptionally favourable. Private foreign capital inflow burgeoned in 1967 and 1968. Although the figures considerably overstate the actual investment outlays during any year, the total of approved foreign investments grew from $35 million in 1966 to $63 million in 1967 and an estimated $104 million in 1968.

Government investment[12] has gone into infrastructure serving both agriculture and industry. Except for the special consideration given to potential export enterprises, there is little regulation of the direction of private investment.[13]

In 1967, gross fixed capital formation in manufacturing increased by 44 per cent and its share in all gross fixed capital formation reached one-third. As one may assume that foreign capital goes into manufacturing, investment there may have grown further in 1968.

Gross domestic saving has been a fifth or more of GNP since the sugar export boom year of 1964; it reached 23 per cent in 1967. Gross capital formation dipped below 20 per cent of GNP in 1963 and 1964 but rose to over 24 per cent in 1968. External sources account for less than 15 per cent of gross investment. The ratio has varied little in the past four or five years but the composition of foreign capital has changed markedly. New commitments of United States grants have not been made since fiscal year 1965 and grant funds on the pipeline have dwindled to negligible proportions. With the decline in official foreign sources of saving, the Government's share of gross domestic capital formation has also fallen. In their place have come loan funds from international, United States and Japanese lending agencies and a great increase in private foreign investment. This private capital comes mainly from United States and Japanese firms and overseas Chinese investors; most of it is direct investment in productive capacity and finances imports of plant and equipment. The most recent line of production so financed is the manufacture of electronic components, chiefly for export, as manufactured inputs for the parent concern.

Production

Agriculture retains great importance in the economy of China (Taiwan). It employs two-fifths of the labour force and in 1967 produced nearly a quarter of NDP; in 1967 exports of agricultural products amounted to more than a fifth of total exports; if processed foods are included the proportion was 35 per cent. The index of agricultural production records an average annual growth of 6.4 per cent for 1961-1964 and 6.6 per cent for 1965-1967. Despite unfavourable weather conditions the rate of expansion in 1968 reached 6 per cent, exceeding slightly the 5.6 per cent recorded in 1967. The rice crop increased 4.4 per cent in 1968, against 1.4 per cent in 1966 and 1.0 per cent in 1967. The exported proportion declines continually and rice prices rose by 5 per cent in 1967 and by nearly 6 per cent in 1968. This increase and increases in other food prices were mainly responsible for the sharp rise in the cost of living index in 1968.

Industrial production continued to set the pace for output growth. In the first ten months of 1968 the index of industrial production rose by 18.5 per cent over the corresponding period in 1967.

The rates of growth of manufacturing (19 per cent) and utilities (17 per cent) continued to accelerate while the extraordinary boom in construction activity moderated somewhat—though the annual rate of expansion was still the highest in industry for the first ten months of 1968, 21 per cent against 24 per cent in 1967. In absolute terms construction activity grew marginally faster in 1968, mainly as a result of the extension of free public education from the prevailing six to nine years.

During 1965-1967 consumer goods industries on the whole expanded less rapidly than those producing durable goods and industrial inputs— chemicals, metals, machinery and transport equipment; the most rapid expansion of production among manufacturing industries was recorded in electrical products, transport equipment and chemical products.

Industrial development policy stresses production for export. Several industries depend upon foreign markets for a major part of their sales.[14]

Rapid growth in manufacturing is not confined to the export-oriented industry groups nor are all export industries expanding rapidly. Hardening export markets appear to be the main reason for low levels of growth in food products, garments, metals and metal products in 1968. Production of plywood, machinery and electronic components expanded sharply in response mainly to export opportunities; the electrical products industry nearly doubled its output in ten months of 1968. Among domestic demand oriented industries, transport equipment has grown at high rates in recent years; with this has come an expansion in vehicle tyres. Output of refined petroleum products has grown rapidly in response to the demand for fuel in transport and industry; inputs into the petrochemical industries are expected to become increasingly important as new capacity is brought into use. The growing interdependence among the various branches of the manufacturing sector makes the distinction among industries on the basis of internal or export-market orientation increasingly ambiguous.

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[12] The government share (including public corporations and government enterprises) of gross fixed capital formation ranged from nearly half in 1960-1961 to two-fifths in 1964 and slightly over one-third in 1968.

[13] Industries operating under export quotas imposed as a result of agreement with major importing countries are occasionally subjected to control over the expansion of capacity, e.g. food canning.

[14] In 1966, exports took over 90 per cent of the output of sugar, canned pineapple, canned mushroom and plywood; 66 per cent of cotton textiles; 57 per cent of canned asparagus; 47 per cent of glass; 46 per cent of monosodium glutamate; 44 per cent of plastic products; 39 per cent of cement and 22 per cent of steel products. Foreign Exchange and Trade Commission, "The Export Potential of Taiwan's Products", Bank of China *Economic Review*, Nos. 124-126 (1968) and K.T. Li, Minister of Economic Affairs, statement to ECAFE Commission session, April 1968.

Trade and payments

Merchandise exports in 1968 are estimated at $843 million, an increase of 25 per cent over 1967 and 5 per cent above the revised target of $800 million. Imports in 1968 were $976 million, an increase of 15 per cent on the preceding year. The trade gap has narrowed but it is still large. The inflow of foreign private and official capital continued to increase but foreign reserves were moderately reduced during 1968.

The share of manufactures in total exports continued to increase in 1968 from the 71 per cent of 1967. Cotton textiles maintained their position as the largest export product while increases in plywood and electrical equipment were particularly great. In 1968, additional resistance to the products of China (Taiwan) appeared in Japan (bananas), in Sweden (textiles) and in the United States and the Federal Republic of Germany (canned mushrooms). United States policy on offshore purchases by the Republic of Viet-Nam continued to reduce sales to that country—from nearly 15 per cent of total export value in 1966 to 10 or 11 per cent in 1967 and only 5 per cent in 1968. For the rest, the less developed countries increasingly protect their own infant industries and compete in the markets of advanced countries with low-wage, labour-intensive exports.

The composition of imports has been changing, over the past several years, towards larger proportions of capital goods and industrial and agricultural inputs. Particularly in 1967 the share of capital goods rose markedly as new foreign investment in plant and equipment occurred; incomplete returns indicate that this process continued in 1968. Consumption goods imports (less than 10 per cent of the total) continue to decline. Import-substituting industries and export production displayed a continuous and fairly heavy dependence on imports. Government policy has encouraged export processing of imported inputs and has established special export processing zones bonded for this purpose. In the circumstances of a small country with limited industrial resources, this particular dependence becomes inescapable as the structure of production and exports shifts from the agricultural base to industry.

Employment and wages

Employment has increased faster than the labour force since 1966; in manufacturing and construction the rate of increase has been exceptionally high. The consequent reduction in open unemployment has apparently been more rapid than anticipated. Although some underemployment exists and there are

Table II-3-2. China (Taiwan) : labour force and employment;
manufacturing wages and labour cost

	1964	1965	1966	1967	1968[a]
Unemployment rate (per cent of labour force)	4.4	3.4	3.1	2.0	1.7
Index numbers					
Employment	99.6	100.0	100.4	109.3	111.7
Manufacturing					
Employment		100.0	108.1	124.9	136.0
Man-hour input[b]		100.0	116.4	130.9	142.1
Hourly earnings[c]		100.0	106.6	121.2	133.7
Labour cost per unit of output[d]		100.0	109.9	118.8	122.6

Saurces: *Quarterly Report of Labour Force Survey*, No. 19;
Manpower Requirements Survey Report, Nos. 1-8;
Taiwan Production Statistics Monthly.

[a] Employment (whole economy): January and April average.
Manufacturing: for April 1968.
Output: Average January-April.

[b] Employment multiplied by average manhours worked per month.

[c] Average hourly earnings (in money terms).

[d] Index of aggregate earnings divided by production index.

still local variations in the level of unemployment, the situation in the early months of 1968 showed signs of labour shortage, particularly in areas of urban and industrial concentration and in skilled occupations.

In the face of continued increase in the demand for labour, supply inelasticities are reflected in rising wages. Increased retail prices contributed to the pressure to increase wages and were in part the result of increasing wage costs. Real earnings rose as well in this period. In manufacturing, it appears that gross labour productivity has risen less than wages; labour costs per unit of output have therefore risen.

As to the future, the employment targets of the fifth plan can only be reconciled with the projected increase of the labour force by raising labour force participation rates. If economic growth in China (Taiwan) continues to generate a demand for labour in excess of the natural additions to the labour force the "unlimited labour supply" phase of development will rapidly approach its end.

Incipient inflation

Wholesale and retail prices in China (Taiwan) have risen at moderate but accelerating rates since 1965; during the first half of 1968 both indices rose more sharply. The peak in retail prices came in August, in wholesale prices in October; by the end of the year the indices were marginally below the peak months. Taking the entire year, consumer prices rose in 1968 by 8 per cent (against 3.4 per cent in 1967) and wholesale prices by 3 per cent.

Of the commodity price increases which exceeded the average rise in 1968, that of foodstuffs may be explicable in terms of supply shortages since rice production appears to have lagged behind demand growth in the two or three years preceding 1968. For timber and other building materials the extraordinary construction boom suggest an explanation in terms of demand. An additional fillip was given to the price rise in mid-June when the Government added new excise taxes and raised the rate of several others.

In July the Central Bank raised call-money and rediscount rates[15] and informed the commercial banks that the expansion of credit would be moderately reined in. While bank lending rates remained unaltered, short-term time deposit rates were raised in September. Apparently these measures have had the desired effects. The rate of money supply growth was substantially reduced during the second half and prices fell slightly in the last month or two months of the year. Concurrently the rate of expansion of time and savings deposits relative to that of money supply moved back towards its more usual higher level.

Specific supply inelasticities apart, the underlying causes of the incipient inflationary pressures are fairly apparent. For several years a growing volume of investment has been financed by ample inflows of foreign exchange. While a significant proportion of real investment is imported, supplies of domestic resources have been put under pressure. Unemployment has been sharply reduced since 1965 and the potential of rural underemployment cannot readily be tapped without further gains in agricultural productivity. Rapid industrialization and the construction boom have led to shortages, particularly of skilled labour, and wages have risen markedly in the last two years. Pressure upon infrastructural capacity —power, transportation—has been persistent despite the continued expansion of this capacity. During the 1960's investment has grown at rates well in excess of the growth of national product; exports have grown faster than GNP and faster than imports. Incomes have thus expanded more rapidly than consumable output. Though the growth of consumption (and consumer imports) has lagged, savings have generally fallen short of investment. Given the distribution of consumer income, pressure has been put upon prices of consumables, especially foodstuffs.

Increased imports of wage goods would compete for foreign exchange needed for development investment and for intermediate inputs. China (Taiwan) is virtually self-sufficient in foodstuffs. Agricultural productivity is high and can be increased only at an increasing investment cost, in part requiring foreign exchange. The necessity to hold down the cost of wages is paralleled by the need to maintain farm incomes as an inducement to increased production. Although the inflationary pressures of 1967-1968 may have been weakened, the basic problem remains.

Planning

The fourth four-year development plan essentially combined indicative with public sector planning. In terms of broad aggregates the plan frame was comprehensive. The macro-economic model on which the projections were based served as a format for the integration of major sectoral plans for agriculture, industry and transport and communications. As yet no review of the plan has appeared.[16]

The quantitative information thus far published concerning the new four-year plan (1969-1972) is barely sufficient to allow discussion. Total outlays on the plan over the period 1969-1972 are set at NT$ 180 billion (or US$4,500 million). To judge from the treatment of outlays in the fourth plan, this figure should include all capital formation, public and private. Extrapolation of the estimated NT$153 billion GDP in 1968 at the minimum rate of growth announced for the new plan, yields a GDP figure of

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[15] Central Bank of China, *Taiwan Financial Statistics Monthly* (October 1968). These rates had been consistently lowered since 1961. Bank loan rates were reduced in 1967; compulsory pre-payment deposits upon application for foreign exchange were reduced from 100 to 50 per cent in the same year, thus increasing the availability of credit for other purposes.

[16] Wanyong Kuo, "Annual Planning in the Republic of China", 30 November 1968, a paper submitted to the ECAFE Workshop on the Techniques of Annual Planning presented the following indices of fulfillment of major targets during the first three years of the fourth four-year plan (in per cent of planned magnitudes).

NT$200 billion in 1972 (in 1964 NT$). The plan outlay figure comes to just short of 25 per cent of this GDP projection. On the basis of estimates for 1968 and actuals for 1965-1967, gross domestic capital formation during the fourth plan period was 24 per cent of GDP. Allowing for the fact that not all plan outlay is necessarily capital formation, the new plan will be relatively no larger than actual investment outlay under its predecessor.

If the Government's share in the NT$180 billion of development expenditure during the next four years is no less than the share during 1965-1968, there should be no great difficulty of financing. The government share of gross capital formation was smaller in 1965-1968 than it had been in 1961-1964 (33 and 39 per cent, respectively), reflecting the termination of United States aid. Nevertheless, during the fourth plan period the Government's share in total investment has shown some progression.

Government revenue needs are expected to increase appreciably over the coming five to ten years.[17] Infrastructural investment is needed to eliminate bottlenecks in transportation and power. The emphasis upon improving manpower resources also implies large government outlays. Expenditure for this purpose had begun to increase in 1967 and 1968. Furthermore, the fifth four-year plan will commit the Government to heavy expenditure on directly productive investment in industry, steel and petrochemicals in particular. In agriculture, expansion of irrigation facilities, in part combined with development of hydropower, and in the cities, urgently needed urban development expenditure will draw heavily on government resources.

During the 1960's the shares of government revenue and of the current expenditure of all levels of government in GNP have declined. At the same time the proportion of revenue comprised of taxes and monopoly profits has also fallen slightly. As the tax burden has declined, the government debt has risen sharply and the structure of taxation has become increasingly regressive. Doubtless the relatively smaller burden of direct taxation upon property incomes has contributed to the growth of private investment. It appears also that the growth of private consumption expenditure has been restrained by increased recourse to commodity taxes on consumer goods. Some of these which fall upon consumer durables—television sets, refrigerators and motor vehicles, for example—are in effect progressive in respect of income levels, but by far the greatest burden of indirect taxation falls upon the lower income groups.

The Government has recognized the need for revision of taxation and has appointed a Commission on Tax Reform to study the tax system and to make recommendations for reforms; the Commission has submitted its proposals on personal income taxation, favouring increased progressivity in rates. Whilst the major consideration is doubtless the necessity to increase government revenue, the terms of reference also include greater efficiency in tax administration and improved equity in allocation of the tax burden.

Development policy: choices in agriculture

Agricultural policy faces major choices in the use of resources within agriculture and between agriculture and non-agriculture. The first of these is the basic choice whether to protect agricultural incomes by permitting farm products prices to rise, or to encourage an increase in production and productivity by means of cheaper inputs, both conventional and non-conventional.

The decision to keep China (Taiwan) practically self-sufficient in foodstuffs, foodgrains in particular, entails heavy investment in agriculture. Although physical productivity in foodgrain agriculture is relatively high, value added per unit of factor input is lower than in many branches of manufacturing and doubtless some non-manufacturing sectors as well. The decision to continue to invest in foodgrain agriculture thus requires the decision to raise both physical and value productivity. The latter, however, is subject to the constraint that prices of wage goods cannot be permitted to raise manufacturing costs unduly. The former requires the commitment of capital resources both in industry (e.g. modernized fertilizer plants) and in agriculture.

On the assumption that the potential for increasing productivity is ample, the choice to develop agriculture intensively has already been made. Since the land factor is effectively fixed, this means raising output per hectare and per man, while shifting labour out of agriculture. Thus the decision to maintain self-sufficiency in food involves allocation decisions in respect of capital and labour, which, given the particular circumstances, would appear to be inescapable. To the extent that changes in the utilization of land are feasible, this could involve a shift from export to

	GNP	Agricultural product	Industrial product	Exports	Imports
1965	105.1	102.6	105.2	112.1	124.3
1966	107.3	105.0	107.8	121.5	123.0
1967	110.3	107.1	114.0	130.0	159.2
1965-1967 (average)	107.7	105.0	109.3	121.7	136.5

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[17] For example, see K.T. Li, statement to ECAFE Commission session, April 1968.

food crops, but it appears that such a shift is not contemplated. Shifts will occur and are occurring between export crops, however, e.g. between sugar and other export crops, since the potential for further development of sugar exports is not promising.

Doubtless the greatest potential means of raising productivity in food agriculture lies in increased mechanization and the improvement of agricultural techniques associated therewith, though this obviously varies considerably from crop to crop. Limitations on the spread of mechanized farming are perhaps most serious in rice cultivation because of the small size of individual farms. Given the topographical conditions and the irrigation systems, the prospect of large-scale consolidation of holdings does not appear to be great. Nevertheless, some advances have been made in the domestic production and application of small power tillers and other mechanized implements designed for local conditions. Government-sponsored machinery stations are being established to make possible the common use of mechanical equipment by larger numbers of farms and thus to spread the overhead costs of mechanization.

Development policy: industrial development

Planners in China (Taiwan) recognize that there are limits to the development of industry on the basis of labour-intensive processes and low-wage labour. This is reflected in the growing concern for manpower planning and the increasing emphasis on improved general and technical education at all levels, with the implicit recognition that this means higher wages but lower wage costs per unit of output. The need for planning integrated industrial development arises from several sources: (a) increasingly apparent limitations on the potential growth of exports of labour-intensive products, (b) rising wages, largely the result of increasing supply inelasticities as the labour reserve is drawn down, (c) the need to reduce foreign exchange expenditure on industrial inputs which could, contingent upon the availability of resources and sufficiently large-scale demand, be produced economically at home, and (d) appreciation of the potential external economies which would emanate from a more comprehensive and closely integrated set of inter-industry relations.

The new four-year plan will accordingly emphasize investment in petrochemicals and an integrated iron and steel plant[18] and development of various machine-building branches, mainly for the use of domestic manufacturing. A petrochemicals complex based on petroleum (naphtha) is being built and a further one will be based on natural gas. The direction of investment in the engineering trades will be determined in the first instance by import substitution possibilities, with the expansion into export markets coming at a later stage. However, the existing requirement that a certain percentage of the inputs into manufacturing be of domestic origin encourages the development of interdependent production.

Control over the direction of investment, and thus over the structure of manufacturing industry is not tight. Licensing of all factories is required for purposes of industrial inspection and export manufacturers are licensed but this is only occasionally used as a control device. Except for export industries, there are few if any selective incentives to manufacturers which would steer their investment into particular lines.

The burden of implementing decisions to develop industries in accordance with plan targets falls upon the Government and the ability of the Government to make equity investments in productive resources and take the responsibility for the management of such firms for an indefinite period. Government equity investment is also required where capital needs are large, and to deal on equal terms with foreign firms which must be depended upon for part of the investment, for management, technical know-how and the selection of equipment. In the case of the planned iron and steel complex, no private local firm appears to be interested, largely because prospective returns are too low. Investment in petrochemicals will be done mainly by the Government, as was the case in aluminium reduction and petroleum refining. There are in addition many older examples, mainly from the early 1950's, of government investment and management of industrial firms including both monopolies or quasi-monopolies, such as sugar, salt, tobacco and utilities and some non-monopolies, such as textile mills. The policy in respect of non-monopoly types of enterprise is and has for some time been to sell off government shares to private enterprise.

Industrial location

It is only recently that official attention has been drawn to the issue of the location of industry. In the past, manufacturing facilities, especially those such as brick-making, canning and sugar refining, have been widely spread throughout the island. Recently, in the 'sixties especially, problems of urban and industrial congestion have appeared, particularly in the Taipei region. Again, though the general level of unemployment has been markedly reduced, pockets of unemployment remain. In order to minimize future problems of geographical over-concentration and congestion and to absorb local unemployment and potential labour force participants, steps have been taken in the direction of planned industrial location. In the south, a major industrial estate, the Kaohsiung Export Processing Zone has been established.[19] Plans are in hand to establish two more such zones during 1969, one in central Taiwan (near Taichung) and one in the north; more such zones will be established in subsequent years. The Government is also encouraging the establishment of factories in the somewhat isolated east coast region where improvements in transportation are being made to help reduce the isolation.

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[18] Construction of this steel mill has reportedly been postponded for two years, so that anticipated domestic demand for its output will be sufficient to ensure reasonable returns on the investment.

[19] Export processing is favoured in this zone by simplified procedures for establishment of factories by foreign investors, provision of overheads and standard factories, and provision for bonded importation of industrial inputs.

India

India's net national income rose in 1967/68 by almost 9 per cent. The steep rise reflceted the recovery of Indian agriculture from two consecutive years of drought and large-scale crop failure. It was thus not to be expected that income would continue growing at so high a rate but the relapse to a rate of 3 per cent, which is the preliminary estimate for 1968/69, is nevertheless a serious disappointment. Even this rate may not perhaps be found to have been achieved in the full year if the present indications of a low rate of growth of agricultural output, over the high levels of the preceding year, turn out to be valid. At 3 per cent, the rate of growth of 1968/69 compares unfavourably with the average of the third plan period, 1960/61-1965/66; during those five years, the average annual rate of growth was 2.8 per cent but the period included the drought-ridden year 1965/66 when national income according to the newest estimates declined by 5.7 per cent.

The rate of growth of agriculture determined the upsurge of national income in 1967/68 and its slow growth in 1968/69. In the latter year, agricultural output may have grown by 1 per cent, if not less, against a rate of growth of 22.6 per cent in 1967/68. This contrast underlines the need for caution in forecasting the pace at which the new agricultural strategy of India will bear fruit on a large scale and fortify agricultural output against the turns of the weather. It is, of course, impossible to say at this time whether the weather conditions of 1968/69 did not in fact set agricultural output back below the level of 1967/68, but on the present evidence it cannot be asserted that recovery has already given way to clear advance.

If agricultural output was in fact almost stagnant, industrial production must have furnished the main element of growth. It rose by 5.6 per cent in the first nine months of 1968/69 and may have grown by 5 to 6 per cent in the full year. This is an improvement over the two preceding years and indicates some degree of recovery from India's industrial halt, but it is still less than in any year between 1961 and 1965. Excess capacity persists in a variety of basic manufacturing industries. Capital formation in the three preceding years was presumably largely in relatively fast yielding projects. With public investment lagging and with the progressive liberalization of state control over private investment, additions to capacity were presumably made mainly to meet tangible demands in the markets for goods. Imports of materials were, furthermore, available under a liberalized regime. The limited growth of industry is thus unlikely to have been caused in any large part by bottlenecks of capacity or of imports. The causes must be sought in the pattern and volume of demand and thus, to a large extent, in government policy.

Agricultural production

Expectations of foodgrain production of 100 million tons in 1968/69 had to be revised downwards last autumn because of the uneven distribution of the rains and the consequent floods in some areas (Bihar, Gujarat and West Bengal) and drought in others (Andhra Pradesh and Rajasthan). The output of foodgrains is now expected to be about as large as in the previous year, 96 million tons, but with a somewhat larger component of rice and wheat. There remains the possibility that the spring crop will be sufficiently good to raise the results for the full year above the level of 1967/68. But if the lower expectation comes true, foodgrain output in 1968/69 will remain 7.5 per cent above the level of the bumper crop of 1964/65, implying an annual rate of growth of 1.8 per cent which is rather less than the trend rate of growth over the past fifteen years.

The weather also affected the commercial crops of jute, cotton, groundnut and tea. Supply is most seriously affected in the case of jute while the supply of cotton is cushioned by stocks.

If the official expectation of foodgrain production is proved true, availability per head will have been less in 1968/69 than in 1967/68: while output was equal, imports in 1968 were 5.7 million tons against 8.7 million tons in 1967. Actual consumption per head may nevertheless have been no lower because farm inventories were largely rebuilt out of the bumper crop of 1967/68. The marketed surplus will thus have risen, a fact which must have helped to raise public procurement of foodgrains to the high level of 6.6 million tons, or 7 per cent of total output.

Foodgrain prices as a whole declined mildly, by about 9.5 per cent between the end of 1967 and of 1968, bringing the price increase since December 1965 down to 26 per cent. The price of rice, however, did not decline at all and that of wheat by only 2 per cent, leaving it 34 per cent above the level of December 1965. Pulses, however, fell steeply in price, and coarse grains also declined. A substitution of pulses and coarse grains for the expensive cereals must be in the interest of Indian food policy but a decline in price without procurement and public distribution may act more as a deterrent to producers than as an incentive to consumers. The prices of raw jute and oilseeds increased sharply, reflecting the crop results. The stagnation of cereal prices was a matter of policy, namely of support prices on the one hand and subsidized consumer prices till recently on the other hand. Coarse grain prices were supported in part through the relaxation of restrictions on their movement, zonal restrictions which had also been eased for cereals by the merger in 1967 of the northern regions.

The events of the past three years have raised agricultural price policy to a position of singular importance in terms of its actual effects and of its potential as a major tool of economic policy. Price policy involves the issues of buffer stocking and operational stocking, of the system of public distribution of foodgrains, of procurement, of procurement prices, support prices and zoning.

India desires to become self-sufficient in foodgrains by 1970/71. By that time, a buffer stock of 7 million tons of foodgrains is to be held. In 1968/69, 1.8 million tons were added to the buffer stock. By the end of 1968 it had risen to 3.5 million tons, and another 1.5 million tons are to be added to it by the end of June 1969. The arguments for buffer stocking are, of course, distinct from the arguments for a stock of 7 million tons. The stabilization of the Indian economy, that is price stability without the type of deflation that was seen in the past two years, demands the availability of foodgrains. Fluctuations in output have been quite wide. Seven million tons may represent about 7 per cent of output in 1970/71 and larger fluctuations of output have in fact been experienced in the past. As foodgrains become more plentiful there may also arise pressures to curtial the public distribution of foodgrains, which has a considerable cost. The Agricultural Prices Commission, a most eloquent participant in the debate, feels that changes in the distribution system or indeed in zoning must be preceded by the accumulation of a buffer stock which will assure control over the level of supply to deficit areas and thus over prices.[20] The desirable size of the stock seems nevertheless to be a different matter, as is also the definition of self-sufficiency. Storage costs are high—wastage is reported to amount to 3 per cent—and the mere cost of interest on a stock of 7 million tons may amount to not much less than one per cent of the net annual output of foodgrains at the time that the target is reached. Investment in buffer stocks competes with other investment projects and a growth in the agricultural outputs of other countries such as seems now likely may argue for re-examining the degree of independence of imports that seems to have entered the calculation.

Foodgrain procurement (together with imports) supports stocking and the distribution of foodgrain through public outlets. The Agricultural Prices Commission has been regularly arguing for larger procurement than was realized, to build up the buffer stock from procurements on excess of distribution. The methods of procurement are under the control of the states. They are basically two: by producer levy or compulsory purchase at prices set by the authorities, or by pre-emptive buying at market prices. The Commission has argued repeatedly for procurement to be made not just from surplus states but from surplus regions or producers whether in deficit or surplus states; and for a fair proportion of procurement to be done by way of producer levy. Compulsory purchasing is, of course, one of the very few ways in which farmers in India might be taxed.[21] Procurement and stocks have important tactical uses. If the necessary flexibility is allowed by central and state governments, procured grains can become a powerful instrument for controlling the market. Stocks permit counter-speculation and thus the imposition of a pattern of prices over the different markets of India and in different seasons to serve a rational price and production policy. A fuller utilization of national agricultural production in support of economic stabilization and development can thus be brought about.

With a procurement of 6.6 million tons in 1968, 10.5 million tons including imported foodgrains were distributed in that year. That procurement prices, and the support prices, were held up at the high levels of the years of scarcity, against the repeated objections of the Agricultural Prices Commission, but under pressure from the states which was exerted in the interest of their farming sectors. In 1967/68, procurement prices were raised in all states except Bihar, Mysore and West Bengal, in proportions ranging from 2-30 per cent in the case of rice and from 10-80 per cent in the case of wheat. These increases were much greater than those adopted in 1966/67—less than 5-6 per cent for rice and less than 15 per cent for wheat. The high procurement prices were maintained in 1968/69 when market prices were declining and to the extent that the Government bought all that it was offered at these prices they became support prices. Since the prices of imported wheat are appreciably lower, an intermediate price could be set for the ultimate buyer. With declining imports and growing domestic supplies, either this consumer price will have to be raised or the procurement price will have to be lowered if the budget is to be protected. It is difficult to see the economic function of scarcity prices that are being maintained throughout two years of relative plenty, or the maintenance of the bonus paid to states for moving out their surplus grain. Agricultural Prices Commission recommended lower prices and the abolition of the incentive bonus, but apparently without success. The continuing transfer of resources to agriculture over which there is the minimum of fiscal control is bound to raise questions of resource mobilization and of the level of consumption in the economy.

The results of the new agricultural strategy are bound to manifest themselves in the aggregate within the next few years. For the new technique to succeed, several conditions must be fulfilled: apart from the required response of the producers who must adopt sophisticated new methods, it demands high-yielding seeds, manufactured inputs and areas suitable for cultivation. The strategy implies, firstly, the expansion of the area under high-yielding varieties and the application of a combination of fertilizers and pesticides; and secondly, the promotion of multiple cropping, based on the short-duration characteristics of the new seeds.

The technique depends on the availability of larger quantities of water than needed for traditional cultivation, and especially on better control and management of water. Its propagation is therefore concentrated in areas which have an "assured" supply of water from irrigation or rainfall. To expand the area of suitable land, agricultural policy relies on the development of quick-yielding "minor" irrigation schemes. The strategy implies an enlargement of the supply and improvements in the distribution of seeds, fertilizers and credit. Incentives to producers are given in the form of high support prices, tax concessions on agricultural investment, subsidies and credit on easy terms. The genetic superiority of the new seeds is now considered so well established that the method for attracting the cultivator is being changed from offering subsidies to offering working capital on easy terms. So confident is official opinion of the farmer's response that an excise duty on fertilizer, the key input of the new technique, is being proposed.

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[20] Government of India, Ministry of Food, Agriculture, Community Development and Co-operation, Report of the Agricultural Prices Commission on Prices Policy for Rabi Foodgrains for the 1968/69 season. March 1968, p. 5.

[21] Agricultural Prices Commission, Report on Price Policy for Kharif Cereals for the 1967/68 season. September 1967, para. 16.

The cultivation of the new techniques has indeed been spreading rapidly: from an area of 1.9 million ha in 1966/67 to 6.0 million ha in the next year. The target for 1968/69 is to add another 2.5 million ha. The area under multiple cropping was to double in 1968/69. The consumption of all types of chemical fertilizer rose from about 0.65 million tons in 1964/65 to 1.21 million tons in 1966/67, 1.59 million tons in 1967/68; and in 1968/69 to 1.98 million tons. The area sprayed with pesticides has been increasing by one half each year since 1966/67, and in each of the last three years an area of 3.6 million ha was newly covered by tube well irrigation, provided mainly on private account. Urban capital is being attracted into rural investment (and so, apparently, is a good deal of untaxed money) and marginal rates of return have risen as high as 80 per cent per annum. Tenants with a regulated right to buy their land at fifteen years' purchase decline to do so because the returns are higher on investing in the farm than on investing in the title.

The new strategy emphasizes the development of rice and wheat in particular. Sorghum, maize and bajra are also included. Practical success seems quite near in wheat and perhaps also in maize. There is very much less confidence as regards rice. Cash crops are no part of the new strategy. In the longer term, this bias may affect the growth of cash crops unless their prices can be raised. The neglect of non-cereal foodgrains is already reflected in the stagnant output of various pulses.

Apart from its regional and commodity bias, the new strategy also contains an obvious bias in favour of the large farmer, which means the relatively less productive size-groups of farms. This may be an inefficient use of scarce resources, and it also accentuates inequalities in income. Some of this bias is to be removed by abolishing all subsidies and instead offering credit to the small farmer, and by taxing fertilizer. The last of these measures does not seem a very sure means to the end of attracting farmers to the new techniques, increasing output and ensuring efficient production as well as efficient distribution of production between different units. There are, unfortunately, no very good substitutes for direct taxation.

The field experience with the new strategy had rather varied results. The faults are in part open to correction: inputs were not combined optimally, seeds and area were wrongly selected, organization bottlenecks held up supplies of inputs and of credit. A high incidence of disease raised the cost of cultivation, and hence the risk. Some of the wide difference between the results of experimental and farm cultivation are due to the different technological requirements of various species of the same plant. The great speed of scientific development, helped by the technique of multi-locational testing, can obviously not be duplicated in the introduction of the techniques into practice.

Industrial production

Industrial output is expected to have grown in 1968/69 at 5 to 6 per cent, a mere one per cent above its growth rate in the preceding year of industrial recession. The growth that occurred seems to have been based largely on the utilization of capacity that already existed at the beginning of 1967/68 or before. A major exception is the production of fertilizer which increased by over one third in 1968/69. Rubber products, cotton cloth, leather and paper—all of them destined for consumption—showed the largest increases of output. The production of finished consumer goods increased in 1968/69 at a rate that was only exceeded in this decade in 1961 and 1964. Production of intermediate goods rose mainly because of the growth of fertilizer production, tyres, paper and petroleum products. Cement output increased little and the output of electic cables and wires fell. This distribution of growth rates can be related to the production of capital goods which rose by less than 4 per cent, less than half their annual growth rate in each year of the third plan period; their output had fallen sharply in 1966 and 1967. Steel has not regained the output levels of 1966/67, machine tools have fallen since 1967, and so have power transformers, electric motors and cables.[22]

The pattern of change in industrial output thus accords with the cyclical effects of business cycles in a free market economy. The engineering industry in general continued to feel a recession of demand with attendant labour troubles and excess capacity in many of its branches. Excess capacity in 1967/68 affected the capital goods industries in particular. Basic metals and metal products, electrical and non-electrical machinery, transport equipment and cement were each using apparently less than 60 per cent of installed capacity, after a year of low capital formation.[23] While comparable data are not yet available for 1968/69, it appears that in the first nine months of the year, industries with a rising ratio of stocks to production are predominantly composed of industries manufacturing capital goods or intermediate goods for capital formation.[24]

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[22] Planning Commission, Fourth Five Year Plan, 1969-74; Draft, pp. 232-3.

[23] *Reserve Bank of India Bulletin*, July 1968 and R.K. Koti, "Unutilized Capacity in Industries", *Economic Times*, 1 February 1969.

The prices of manufactures have risen slightly, after their marginal decline in 1967. The decline of the price ratio of manufactures to food which has continued uninterrupted since 1965 has thus been halted. This does not as yet mean any substantial reversal of the movement which lowered the terms of trade of manufactures by 25 per cent since 1963/64.

The contribution of industry and mining[25] to national product in 1968/69 may have recovered its level of 1966/67, about 24.1 per cent, before its decline to 18.1 in 1967/68. The composition of output, however, is likely to have changed markedly. Industrial licensing procedures have been liberalized since 1966 and now give substantial freedom to industrialists to vary the composition of their output. The earlier phase of liberalization, from 1965 onwards, had allowed them to diversify their production, that is, to produce 'new' articles for which they had not been licensed, up to 25 per cent of their licensed capacity, on condition that no additional plant and machinery was installed except minor balancing equipment procured indigenously (whatever its foreign exchange component) and that no additional (direct) expenditure of foreign exchange was involved. The production of licensed articles could also be expanded by 20 per cent of licensed capacity, subject to the same conditions and the additional one that no scarce raw materials would be required.

In 1968, the restrictions on diversification were further lightened. Articles falling within the "priority" group of industries for purposes of raw material licensing[26] and requiring the import of raw materials only can be produced, by way of diversification, without additional licensing. Where the import of balancing equipment is required to diversify production, only import clearance is required. The scale of freely permitted diversification is defined in terms of licensed capacity. Manufacturers, however, have regularly been obtaining licences for a good deal more capacity than thay intended to instal. Such capacity as had been installed was furthermore being under-utilized at the time of liberalization. If the field freed for diversification is measured in terms of the quantity of production in 1966 or 1967, it is bound to be much larger than 25 per cent. Liberalization from 1966 to 1968 therefore meant that the state was relinquishing much of its control over the pattern of capacities and outputs, and thus over the structure of industry and in practice probably also over the composition of consumption and over the future size and composition of industrial demand for imports. The liberalization measures may have been intended primarily to offer the widest scops for an industrial recovery. But the effect of any resulting change in the pattern of output on the future claim on investible resouces and on foreign exchange, will be difficult to reverse by either licensing or import policy.

Trade and payments

India's exports rose steeply in the first half of 1968/69 (April-September), by 17.5 per cent over the corresponding period of the preceding year. The poor performance of the traditional exports—jute, tea and cotton textiles—is likely to reduce this rate to 11 per cent in the full financial year but this still represents a remarkable improvement over the preceding three years. The spurt was caused by the growth of the new exports. The composition of exports changed decidedly in favour of metals and engineering goods. It is difficult to say what part of this success is due to the necessarily delayed effects of devaluation and export incentives, and what part to the stagnation of the home market for some of the most important new commodities. Engineering goods and iron and steel furnished $41 million of the total increment of $133 million of exports in the first half of the year. Iron ore added another $13 million. These are mostly products for which excess capacity has appeared. This is shown by the decline of output between the first halves of 1967/68 and 1968/69 (e.g. steel ingots and castings, machine tools, cotton textile machinery, power driven pumps, electric wires and cables, power transformers and electric motors) and the normally much larger decrease of output relative to 1965/66 (affecting all of the listed commodities as well as railway wagons, finished steel and diesel engines). A growth of industrial activity at home may reduce the urge to export these products. On the other hand, the establishment of overseas markets involves an investment which producers may be unwilling to abandon when selling at home agian becomes easier.

Export policy continued on the lines set in the mid-sixties. Cash assistance has been raised for products whose export performance improved over the year. The import replenishment scheme which gives import entitlements to exporters with the permission to import from the preferred source has been expanded.[27]

Traditional exports were helped by the removal or reduction of export duties: this applied to various jute manufactures, tea and iron ore. Jute exports were particularly in need of such help because of the short crop and the resulting rise in Indian jute prices. The value of jute exports during April-September 1968/69 was $141 million, or $22 million less than in the corresponding months of 1967/68. But jute exports had already fallen by $21 million between 1966/67 and 1967/68 and this decline in the single most important item of Indian exports, accounting for some 16 per cent of total revenue, may, one must fear, reflect the trend against jute.

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[24] Government of India, *Economic Survey* 1968/69, table 1.15.

[25] Including electricity and construction.

[26] In 1966, fifty-nine industries were designated as priority industries. They are granted import licences as and when required, for components, raw materials and spare parts. They are also allowed repeat licences when they have used up the earlier licence, and they can vary the composition of their imports freely.

[27] Units in the priority industries which exported at least 10 per cent of their output in the previous year are now free to import all their requirements from the preferred source and their applications for licences to expand capacity and connected imports will be given preferential treatment.

The value of imports declined for the third year running, by 5 per cent between the corresponding half-years. The immediate cause was the decline in cereal imports. There was a slight increase in the imports of capital goods—components and parts rather than complete equipment—and a strong one in fertilizers. In the longer run, the decline must also be ascribed to industrial stagnation.

The liberalized import policy was continued with minor changes. As in the previous year, importers in the priority industries obtained all they needed.

The trade deficit has thus tended to decline. Compared with 1967, it is likely to have been halved in 1968. The balance of payments is in need of such relief because of the impending repayment liabilities to the IMF and to foreign creditors, as well as the growing volume of interest payments. In the meantime, foreign exchange reserves rose by $36 million in the first half of the year.

The low rate of food imports also reflected itself in a slowing down of aid utilization. Gross disbursements in the first half of 1968/69 (April-September) were $632 million, compared with $760 million in the corresponding months of 1967/68, a year in which disbursements grew rapidly and caused a considerable depletion of the aid pipeline. Authorizations, however, again declined, to $ 982 million in 1967/68 and to $944 million in 1968/69.[28] Total debt service obligations at the same time increased by leaps and bounds: from $319 million in 1966/67 to $444 million in 1967/68 and to $517 million in 1968/69. At that level they will equal 29 per cent of export revenue if that grows by 11 per cent from its value in 1967/68.

Price stability

The combination of high agricultural supply and low industrial activity caused the general price level to become almost stationary, for the first time since 1955. The overall stability conceals sharp declines in the prices of coarse grains and pulses (the former by 8-9 per cent, the latter by 30.5 per cent) and a sharp increase in the price of raw jute (67 per cent), jute manufactures (43.6 per cent) and oilseeds. In spite of the bumper crop of both rice and wheat and the fairly high crop of rice in 1968, the decline in the index numbers for these two cereals was only 1.9 and 0.5 per cent respectively. The consumer price index also reflected this stability which was produced, so far as cereals were concerned, by constant high procurement prices and by constant subsidized consumer prices, which only lost their subsidy towards the middle of 1968/69.

The monetary aspect of stability was an easy and selective credit policy and increases in money supply which were kept low by the expansion of bank deposit, smaller net bank credit and a smaller credit expansion in the busy season. The reduction in the anticipated level of deficit financing, at the cost mainly of developmental expenditure, and additional taxation chiefly through excise duties all helped to achieve the overall price stability.

The use of resources

While India has now experienced two successive years of adequate crops, at least so far as foodgrains are concerned, the industrial economy continues to be characterized by excess capacity and to grow relatively slowly. Underutilization affects in particular the capital goods industries, including the production of intermediate and final goods. The ratios of investment and of domestic savings to national income have both fallen from their levels in the first half of this decade. The ratio of investment to national income appears to have declined from about 15 per cent in 1965/66 to about 11.5 per cent in 1967/68. It rose to below 12 per cent in 1968/69. A mild degree of recovery thus came, it seems, in 1968/69. But if allowance is made for the price increases after devaluation, of particular importance to investment because of its large import component, the absolute increase in the volume of capital formation in 1968/69 over 1965/66 may be less than 5 per cent. The contribution of the private sector to capital formation in 1967/68 and 1968/69 appears to have risen: in the former year, public investment is likely to have declined somewhat while in the latter it is probable that private investment rose more than public.

Domestic savings formed 10 per cent or more of national income in 1965/66, a year in which income declined by almost 6 per cent. By 1967/68, the domestic savings ratio had fallen to 8 per cent or less. In 1968/69 it is likely to have stood at about 8 per cent. Consumption thus rose faster during the past three years than the domestic appropriation to investment. Savings do, of course, lag behind income and besides all quantitiative estimates of savings and investment are highly tentative. But so far as the present evidence of savings in the past three years is concerned, it points to a decline followed by stagnation. Savings and investment by the private sector were expected to derive stimuli from a variety of policy-induced causes. The liberalization of industrial investment controls and of imports was to have that effect. So was the transfer of income to agriculture within which investment opportunities are thought to have greatly increased and that was conditional on the maintenance of high prices in times of good crops. Finally, the stabilization of wholesale and consumer prices which was clearly achieved in 1968/69 should affect the savings behaviour of a sector of the population. While private savings and investment seem to have risen they could not make a noticeable impact on overall savings and investment, since government capital formation continued to be restrained. Gross capital formation out of the budgetary resources of the central Government declined slightly in absolute (rupee) terms between 1965/66 and 1966/67, and again in the following year. In 1968/69 it is budgeted to rise by slightly over 10 per cent. From the point of view of the revival of the industrial economy, this increase is helpful though rather small and partly cancelled out by the amount of deficit financing in the new budget, which will be some 4 per cent less than the actual deficit financing in 1968/69. From the rather different point of view of the level of investment, absolute or relative to national income, the increase is less significant when it is compared with 1965/66 and if allowance is made for the increase in prices, by 10-15 per cent, since devaluation in June 1966.[29] As regards the real aspect of this proposed capital formation in 1968/69, one-half of the increase over the preceding year will be devoted to financing the increase in stocks of foodgrains. Apart from the expenditure on structures which stocking demands, the increase in public investment will thus be only partly relevant to the formation of productive capacity and the absorption of spare capacity in industry. The same conclusions follow from the shares of different economic sectors in the plan outlays of the centre and the states. Between 1966 and 1968, the share of agriculture rose continuously while that of all other sectors declined (notably railways, power, irrigation and flood control) or remained constant (industry).[30]

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[28] See this *Survey*, Part II, Section 1.

The direction of policy

As regards the short run, economic policy in 1968 continued the strategy of the preceding two years, which was substantially to leave the stage free for a revival of economic activity, especially in industry, at the instance of recovering private demand. The policy has had a measure of success, not least in the growing sales for export and in the handsome growth of output of consumer durables such as cotton textiles, radio receivers, electric fans and lamps, bicycles and sewing machines. This demand-determined growth must sooner or later address itself also to the capital goods industries and raise the utilization of their capacity; unless that capacity is enlarged. The budget for 1969/70 was mildly expansionary, but the expansionary impact is dispersed and directed mainly to encouraging private demand, domestic and for exports, rather than to raising resources for state-determined production.

Some of the principles of the budget have long-range importance, the more so because it was presented as the first budget of the fourth plan period (before the plan outline became available).

The large transfer of incomes to the agricultural sector, which effectively escapes income tax and land tax, was bound to become an embarrassment to resource mobilization (the more so, for the time being, because guaranteed prices meant that state had to transfer resources to agriculture). The budget placed emphasis on one of the few solutions that seemed available, namely to withdraw subsidies, and impose taxes, on the means of agricultural production. A tax of 10 per cent was proposed on fertilizer and one of 20 per cent on power-driven pumps. The fertilizer tax appears to have run into sufficient opposition to require reconsideration. The efficiency of taxes or withdrawals of subsidies on inputs, especially those that central features of the new agricultural techniques, appears highly doubtful. The case for it as an instrument for the appropriation of agricultural incomes, however, is illustrated by the fate of the budget proposal to impose a mild form of wealth tax on agricultural property. The proposal allowed high exemption limits and was estimated to yield revenue equal to about 40 per cent of existing wealth tax or 3.5 per cent of revenue from income tax. This proposal is likely to be withdrawn.

The budget further emphasizes the view that rising levels of investment without inflation can only be achieved on the basis of a growing volume of production of essential consumer goods. This requires not only a steady improvement in agricultural productivity but also a greater efficiency and expansion of capacity in consumer goods industries. These industries have the additional advantages of providing incentives and public revenue.[31] While the restraint in public investment, in the face of ample agricultural supplies and declining liberalized imports could be interpreted as a tactical waiting operation, these views in the budget have strategic implications. By emphasizing the need to let consumer goods industries grow along with investment goods in a balance which is to be determined substantially by the market, they mark a departure from a system of planned development which prescribed restraint on consumption in favour of a strategic development of capital goods industries ahead of demand and attempted to regulate savings largely by determining the pattern of production.

The choices that have now to be made or to be announced concern the targets of development—the rates of growth and the time-horizon of decisions—from which the content and phasing of investment plans will have to be derived, the means for enforcing these targets and the sources of finance. The connexion between resources and targets which was implicit in the earlier approach and which was meant to be realized by economic controls has been partly dissolved by the inter-dependent policies of liberalization, the reduced size of the plan, greater emphasis on the avoidance of inflation and a more market-determined economy. The back-ground to these policies is largely filled by the transfer of income to agriculture and the related problem of raising resources, and by reduced expectations of foreign aid. The situation of resource mobilization and resource allocation is further complicated by a change in the balance of economic power between the centre and the states. Agricultural prosperity occurs within the fiscal province of state governments; decontrol seems to have deprived the centre of instruments by which conflicts between the policies of states and the centre could be partly resolved. The states, moreover, practice forms of state-protectionism in both agriculture and industry.

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[29] Gross capital formation out of the budgetary resources of the central Government, in millions of rupees: 1965/66: 18,054; 1966/67: 17,932; 1967/68: 17,644; 1968/69 (budget estimate): 19,452. Government of India, *Economic Survey*, 1968/1969, p. 79.

[30] *Ibid.*

[31] Minister of Finance, Government of India, budget speech, 28 February 1969.

As regards resource mobilization, the experience of the current budget points to the need for procurement as a means of raising resources from the agricultural sector. Procurement will, of course, only fulfil that role if food subsidies are not resumed and if procurement and support prices are kept below market prices. External assistance and the financial powers of the centre may have to be used more stringently to control the enonomic decisions of the states. A once-over investment in buffer stocks of foodgrains, cotton and jute offers the prospect of maintaining stability while increasing investment. But the size of the stocks and thus the time spent on their accumulation and the duration of restraint in other forms of investment cannot be determined without considering the urgency of other claims. One of these arises from the likelihood that foreign aid will decline in terms of the maximum available for India and that actual commitments will be kept below this maximum if the rate of domestic planned investment is held back. The other major claim is that of continued growth, which may also offer the only hope of a more equal distribution of welfare within India.

The questions about the relation between domestic resources and targets have their counterpart in questions about the relation between objectives and policies.

If the availability of aid declines, if its use by the end of the new plan is to decline to one half of its level in the mid-1960's, will it be possible to maintain and pursue decontrol, concentrate on the use of existing capacities and on investment in quick-yielding projects and yet assure growth at 55 per cent during the plan period and over 6 per cent thereafter?[32] Will this combination of objectives and policies permit the creation of outputs and capacities of a composition that will be suitable for continued growth?

Indonesia

The rate of inflation

The year 1968 saw a considerable improvement in economic performance over 1967 and increasing confidence in the Government. The Government modified its position on the methods for achieving stabilization. The last months of 1967 saw a new spiral of inflation, touched off not by the budget, which was carefully kept in balance, but by the shortage of rice. The Government's actions reflect awareness of the need to combat inflation not only by curbing demand through tight money and a balanced budget but also by increasing supplies.

In 1968, the rate of inflation was brought down to 85.5 per cent from the 112.5 per cent of 1967. If the large rate of 40 per cent in January 1968 is left out, as still reflecting the rice crisis of the final months of 1967, the rate of inflation for the remaining 11 months was only 32.4 per cent or 2.6 per cent per month. This was brought about by a timely inflow of PL 480 rice imports and an exceptionally good harvest which for the first time in Indonesia's history brought rice production beyond the 10 million tons level. At 10.7 million tons, rice production was 11.5 per cent above the 1967 production.[33]

The price of rice on Djakarta, which reached a peak of Rp 67.50 per litre in the first week of February 1968, was brought down to Rp 37.50 at the close of 1968, a seasonal reduction which is understated by the figures.[34]

The increased aid disbursements in 1968 also contributed to the relative stability of prices in the country and possibly also to the lesser rate of rupiah depreciation, another indicator of restored confidence in the monetary system. The rate of rupiah depreciation, which in previous years always exceeded the rate of inflation was only 41.2 per cent in 1968, or half the inflation rate.[35]

There is some evidence of a repatriation of capital, especially since October when the Government increased bank deposit rates to 6 per cent monthly.

Details of the five-year development plan to be launched in April 1969 were announced in January 1969. It is essentially a partial plan in that it deals with major sectors rather than with the whole economy. Output targets for various major commodities are set and the resulting investment programme is matched against the expected domestic and foreign resources subject to government influence rather than to total savings. The plan puts emphasis on agriculture, and especially on food production as self-sufficiency of basic foodstuffs is aimed for. The 1969/70 budget provides for an increase of more than 100 per cent in the development budget, to be financed largely by foreign aid and partly by an expected government surplus on current account.

Production: Agriculture

Due to favourable weather conditions and the more widespread use of fertilizers and superior seeds, agricultural production showed a marked improvement over 1967 and contributed greatly to the stabilization programme. This is especially true of rice production, which rose from 9.3 million tons in 1967 to 10.7 million tons in 1968, that is by 11.5 per cent, as against 3.4 and 2 per cent in 1966 and 1967 respectively. The year 1968 was also the first in which the government domestic rice purchase programme of 600,000 tons was fulfilled.[36]

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[32] Government of India, Planning Commission, Fourth Five Year Plan, 1969-74, Draft, March 1969.

[33] Price data: Central Bureau of Statistics, quoted in *Business News*, 5 February 1969. Production data: Department of Agriculture, Indonesia.

[34] Price of Krawang B.A. No. 2 rice. Central Bureau of Statistics, quoted in *Business News*, various issues.

[35] Free market rate to the US dollar from *Laporan Sub Dewan Moneter*, monthly, January 1968 issue.

Apart from favourable weather the success of the rice programme was due to the spread of new seeds and the success of the intensification programmes known as "BIMAS", "BIMAS BARU" and "INMAS". The BIMAS and BIMAS BARU programmes combine extension service and inputs consisting of improved seeds, fertilizers, insecticides, zinc phosphide for rat control, spraying equipment as well as the necessary credit for the purchase of these inputs at 3 per cent interest per month. Farmers can remain in the BIMAS programme for one or two years, after which they will either be transferred to the INMAS programme, which is identical with BIMAS except that no credit is available under it, or they may leave the programme. Except for the new seeds used, the BIMAS BARU also involves higher fertilizer requirements as the new Philippine varieties need more fertilizer.

During the wet season 1967/68 crop, which is harvested around March, the various intensification programmes accounted for 990,957 hectares of rice, or 13.3 per cent of total hectarage. Yields on these fields are 2.25 tons of rice per hectare for BIMAS, 3.0 tons for BIMAS BARU and 1.5 tons for INMAS, compared to 1.15 tons on other fields. In the 1968/69 wet season, the various intensification programmes will account for 2.5 million hectares, or 31.8 per cent of total hectarage.

The success of these intensification programmes will depend, amongst other factors, on the prices to farmers. The use of fertilizer, in particular, varies with the price ratio between rice and fertilizer. The success of the rice crop resulted in a decline of rice prices by 44 per cent between February and the end of 1968. A continued decline may endanger the expansion programme. The Government's policy is to guarantee at least the so-called farmers' formula, namely that the price of one kg of rice will not fall below that of one kg of fertilizer.

The regulation of these terms of trade is in the hands of the government agencies concerned with rice purchases and the purchase and distribution of fertilizers. In 1968, 600,000 tons of rice was procured domestically as well as 100,000 tons of fertilizers supplemented by imports of 250,000 tons. The ratio of the rice price to the urea price in 1967 dropped to a low of 0.5 in March 1967. It rose to a high of 3.9 in February 1968 and was approximately 2.1 at the close of 1968.[37]

Urea usage for the rice production programme is to be increased from an estimated 338,000 tons in 1968/69 to 960,000 tons by 1973/74, according to plan targets.

There was an exceptionally wet season in 1968. The continued success of the programme will also depend very much on weather conditions and on the programme in repairing damaged irrigation facilities which caused the declining yields of the past decade. During 1969, a start will be made on repairing, with the help of foreign credits, the irrigation facilities for about 170,000 hectares of rice land or 10 per cent of total irrigated land.

Under the five-year plan, rice production is to increase annually at almost 9 per cent. In 1973/74 it is to reach 15.43 million tons, or 44 per cent more than 1968/69 production. At the prices now offered to farmers it is not clear whether that quantity can be absorbed by the rice-buying population of Indonesia.

Amongst the 1968/69 targets for other crops maize production was to increase particularly strongly, by 10 per cent to 3.25 million tons.[38]

Production of each crops continued to stagnate and even declined in some cases. Estate rubber in 1968 increased by 4 per cent but small-holders' rubber production declined. Palm oil production remained the same but is expected to increase in the near future due to replanting and the return of estates to previous owners. The same may be said of rubber.

While the rice crop was very much advanced due to favourable weather and intensification measures, the output of commercial crops suffered from too much rain (coffee, sugar) and bad maintenance (small-holder tea).

The return of estates to their former owners will probably stem the deterioration in estate production which went on continuously after Dutch-owned plantations were taken over in 1957.

Production: Minerals

Minerals production and exports expanded in 1968. The new foreign investment policy, which results in numerous mining contracts, will further expand production and exports in the years to come.

Production of oil was running during January-September 1968 at a rate 13 per cent higher than the 1967 average, mainly because of the substantial developmental investments undertaken by a major foreign oil company in 1967. In addition, twenty foreign oil companies have signed contracts with the Government for exploration and subsequent production of crude oil mainly in offshore areas, involving a capital of about $250 million. Under the contracts, foreign oil companies are to receive 40 per cent of crude oil production as compensation for exploitation and development while 60 per cent will be divided between the government and the foreign oil companies, with 60 to 68 per cent going to the Government.

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[36] During 1960-1968, domestic rice purchases varied between 40 per cent (1963) and 85 per cent (1967) of the government programme.

[37] From a report by the United States Agency for International Development, 1968 prices calculated on the basis of urea price of 18 rupiahs per kg.

[38] Production data were not available at the time of writing.

Large contracts with a variety of foreign corporations for the exploration and production of copper, nickel and tin were signed during 1968. Meanwhile, the rehabilitation of the existing government-owned tin mines started to produce results in 1968. Tin production rose by 29 per cent over 1967 and reached 16,939 tons. Unfortunately, 1968 saw the imposition of export quotas by the International Tin Council to stabilize prices, which cut exports of member countries by 10 per cent up to December 1968. The International Tin Council has recently decided to extend the quota system at least over the first few months of 1969.

Bauxite production between January and November 1968 was reduced by 3.4 per cent below the level of the same period in 1967 in order to adjust to the quantities that could be exported to Japan. Coal production was in serious trouble and the declining trend since 1963 continued in 1968. Keen competition from petroleum, obsolete equipment and lack of technical and managerial personnel are the main reasons cited for the decline.

Industrial production

Industrial production in 1968 is estimated to have increased by 4 to 5 per cent as a result of a further recovery in the textile and tobacco industries. Textiles received higher rates of protection and larger supplies of raw cotton and yarn. Textile production, at 316.5 million metres, was 40.7 per cent above 1967 production but still far below the 456 million metres produced in 1965. The industry continued to be plagued by the imbalance between spinning and finishing facilities and between weaving and knitting capacity, and by the small units in weaving. The production target for the end of the five-year plan, in 1972/73, is 900 million metres, well above present production but not unrealistic if compared to production capacity, which in 1968 was 1,100 million metres.[39]

Production in state enterprises also increased generally. Cement production during the first three quarters of 1968 was 18 per cent higher than in the corresponding period of 1967, while paper was 19 per cent higher. Assembly of cars was up by 64 per cent but production of tyres suffered from imports of tyres by the military. The ban on such imports will only have an effect in 1969.

The five-year plan puts emphasis on industries supporting agriculture and on import-substituting industries of essential consumer goods. Targets set for such products as paper, textiles and fertilizers are very high in relation to present production and a great deal depends on foreign financing of projects and on the inflow of foreign capital under the present investment law.

Foreign investment

As in the case of mining, forestry and plantations, foreign financing is assigned an important role in the development of manufacturing. By September 1968, eighty-four foreign investment projects had been approved, forty-three of them for manufacturing. Manufacturing still only takes a small amount of the approved inflow, however, $36 million out of $286 million. The largest proportion is taken up by mining, which accounts for $138.5 million, followed by forestry with $67.5 million. Fisheries, telecommunications and plantations account for the rest.[40]

Table II-3-3. Indonesia's trade balance, 1967 and 1968

(in million US dollars)

	1967	1968	Increase 1968 over 1967 (%)
I *Exports, f.o.b. total*	770	861	11.8
(1) Oil exports	244	292	19.7
(2) Category A exports	404	424	4.9
Of which:			
a) Surrendered value	355	379	6.8
b) Estimated overprice receipts	49	45	-8.2
(3) Category B exports	122	145	18.8
Of which:			
a) Surrendered value	75	80	6.7
b) Estimated overprice receipts	47	65	38.3
II. *Imports, f.o.b. total*	805	826	2.6
(1) Oil imports	68	76	11.8
(2) Non-oil imports	737	750	1.8
III. *Trade balance*	-35	+ 35	

Source: Bank Indonesia (Central Bank).

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[39] *Bulletin of Indonesian Studies*, October 1968, *Five-Year Development Plan*.

[40] Information supplied by the Technical Team on Foreign Capital, Government of Indonesia.

Foreign trade

Exports reached $861 million in 1968 or 14.5 per cent above the corresponding 1967 figure. Since imports only rose by 3 per cent to $826 million, the trade balance improved by $70 million and produced a surplus of $35 million.[41] These figures must, however, be interpreted with caution since part of the receipts—the "overprice" receipts—have to be estimated. "Overprice" is the difference between the actual price obtained abroad and the notional price or "check price" which has to be surrendered by the exporter (see table II-3-3).

The system of check prices has been in use for a number of years but it underwent several changes in 1968. Check prices are set for every traditional commodity (category A), and they are deliberately set below world market prices to increase the incentive to export.

The exporter pays part of the check price as an export tax, reduced in September 1968 from 25 to 15 per cent for traditional commodities and remaining at 10 per cent for new exports (category B). An additional incentive for category B exporters is that the check price is not set by the Government but by the exporters' association, consisting of private traders and state enterprises. The remainder of the check price receipts is sold to the Government at the *Bonus Export* or B.E. rate. The "surrendered" value is therefore made up of the export tax and the exchange proceeds from B.E. sales. Receipts in excess of surrendered receipts—the overprice receipts—can be disposed of freely or sold on the Devisa Pelengkap or D.P. market, where the price is higher than the B.E. rate. The B.E. market is supplied with foreign aid receipts and the major part of export receipts. On the demand side, only essential goods—some 80 per cent of imports—can be imported at the B.E. rate. Both rates are determined by supply and demand, but in 1968 the Government monopolized the B.E. market and thus has better control over it.

When the spread between the two rates became very large in October 1968, and the D.P. rate shot up to Rp 485 per US dollar while the B.E. market remained relatively stable at Rp 326 per dollar, the Government deemed it necessary to intervene in the D.P. market also. It was estimated that the Government sold foreign exchange to the tune of $17 million to bring the D.P. rate down; by the end of the year the D.P. rate had declined to 415 and was still declining at the end of January 1969. Other factors also accounted for the decline in the D.P. rate, such as the returning confidence in the rupiah, the decelerating inflation and the increase in exports.

Overprice receipts rather than changes in the export tax determine the incentive to the exporter. In 1968, check prices were set once a month rather than once a week. As world prices move daily, the amount of overprice can only be estimated. In a period of rapidly rising prices, exporters will gain until the new check price catches up with the world trend of prices.[42] The overprice percentages vary widely between commodities and are highest for group B commodities, where check prices are set by the exporters' association and are accordingly very low. Average overprice receipts for category A commodities in 1968 were 11 per cent of total export revenues but this proportion was 45 per cent for category B exports. In addition, category B exports pay a tax of only 10 per cent of check price value.[43]

It seems desirable for the Government to set check prices on those category B exports which no longer need the special incentive. Timber exports, for instance, expand rapidly and the Government will relinquish large amounts in tax revenues and in foreign exchange if check prices are set too low.

Exports of oil expanded by 19.7 per cent and are expected to continue growing at this rate.

Among category A or traditional commodities copra shipments were much larger, especially in the first half of the year, in response to higher prices. Tin exports were restrained by the quotas imposed on exporting countries by the International Tin Council. Production and exports of small-holder rubber declined due to overaged trees and an export ban on low quality rubber imposed in November. The move was designed to switch from low quality exports for further processing to the establishment of crumb rubber factories, but it will take some time to bear fruit.

The new trade minister has attempted to reduce the large share of consumer goods imports, which became particularly pronounced after the liberalization of imports in October 1966. Imports of less essential goods on the B.E. list were made subject to advance payments of import duty. Higher quality textiles were taken off the list of B.E. goods and have thus to be imported at a higher rate of exchange. Because of the high interest rates which reached 15 per cent per month in the unorganized market, advance payments of import duties affected the composition of imports. Importers must in any case deposit the total value of imports before goods can be shipped. Bank credit for imports was prohibited until November 1968, when such credits were made available on goods imported from creditor countries for 50-60 per cent of import value at a rate of between 3 and 7 per cent per month.

As an outcome of this tight money policy importers preferred supplies from Singapore and Hong Kong because delivery is quick. Several moves were made in

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[41] Exports and imports valued f.o.b.

[42] For example, the overprice on RSS-I rubber was highest in November 1968, when it amounted to 29 per cent, as the world price minus freight was 18.50 cents per pound while the check price was only 13.12 cents per pound. The check price was raised to 15.25 cents in December and the world price minus freight was 18.39 cents; the overprice consequently dropped to 16.8 per cent of the world price.

[43] The actual average tax rate on category B exports in 1968 was therefore 10 per cent of 55 per cent, i.e. average check price receipts, or 5.5 per cent.

1968 to divert such trade to other, especially donor countries. In July 1968, a temporary measure limiting all B.E. imports to sources in donor countries had the result of widening the discrepancy between B.E. and D.P. rates. In another move, in November, importers importing goods from donor countries were given the privilege of opening letters of credit after the shipment of goods.

Fiscal and monetary policies

Fiscal policy continued to be conservative in 1968 and the latest estimates for the year show the budget balanced at Rp 185.2 billion or more than double the 1967 figure. The rate of inflation having been 85 per cent, the size of the budget in real terms must have increased. Revenue from taxation is estimated to have increased by 153.8 per cent. Most notable is the increase in income taxes, by 254 per cent over 1967. This spectacular increase is attributable to the improved collection system, including the system of self-assessment. In the first three quarters of 1968, direct taxes as a proportion of total revenues increased from 18 to 28 per cent.

Another significant contrast between the 1968 budget and its predecessor is that while in 1967 foreign credits had to defray a considerable portion of current government expenditure, in 1968 this was to be met solely from domestic revenues. Aid revenues were to finance the development programme which continued at an unchanged 19 per cent of the budget. This constant percentage indicates the continuation of the stabilization era.

To ensure better synchronization between the flow of government expenditure and the seasonal pattern of the economy, the fiscal year was changed, from the calendar year to the year beginning 1 April. A separate budget was drawn up for the first quarter of 1969, generally termed the fifth quarter of 1968, aiming at a balance between revenue and expenditure at Rp 54.8 billion.

The 1969/70 budget, presented to parliament at the close of 1968, shows an increase of 77 per cent over the 1968 budget and will be balanced at Rp 327.4 billion. A current account surplus is expected which will partly finance the development budget. The large increase of 180 per cent in total aid receipts is due to the fact that project aid is now included in the budget. Development expenditure will increase by 248 per cent, indicating the start of the 'development era'. The five-year plan will be launched in April 1969.

Money supply more than doubled on 1968 to Rp 114 billion, or 120 per cent higher than at the end of 1967. It thus rose faster than the rate of inflation (85 per cent). It is now accepted that money supply was a passive rather than an active factor in the process of inflation. Money supply rose at the beginning of the year when the Government had to borrow in order to purchase rice. Credits to the private sector also rose after relaxation of restrictions on bank credit for imports.

Problems of 1969

So long as prices continue to rise at between 2 and 3 per cent a month stabilization cannot be taken as achieved. On the other hand, it has never been wholly clear what part of the economy of Indonesia was directly involved in the inflation, and what types of decisions were affected by the experience and the expectation of snowballing price increases. The urban economy was clearly involved and its poor were subjected to great suffering. The government sector was equally involved and this retarded many basic activities of maintenance and development. The decay of transportation, irrigation and mining are glaring instances of this. The question remains in 1969 as in 1968, what kind and what size of development expenditure can the Government undertake and what attempts can it make to influence the allocation of resources? Even investment expenditure out of a balanced budget has a greater effect on incomes than on immediately marketable supplies.

In 1968 the Government appears to have attempted to resume some control over the allocation of resources. This is particularly noticeable in the new import policy which seems to depart from the trend towards cedontrol and progressively freer importing that dates back to October 1966. The trade minister justified his policy by arguing that, given the scarcity of foreign exchange in Indonesia, exclusive reliance market forces would not be in line with development objectives.[44]

It still is not wholly clear what principles of development policy are being adopted. Reliance on foreign capital for the development of basic industries, manufacturing and the redevelopment of plantations appears unavoidable at this stage but development policy will obviously have to intervene in the process of development by capital imports if the future pattern of output, the future import commitments and debt service obligations are to be made consistent with demands and with resources. The targets for rice production seem to offer an instance of inconsistency if costs cannot be reduced drastically. In all its activity, the Government is likely to be constrained also in 1969 by the need to tread the very narrow path between deflation, excess capacity and supply shortage on the one hand and continued inflation on the other. This may explain the intervention in the freer of the two exchange markets to bring down the rate with the help of public foreign exchange resources. If price increases can be halted—and good grain crops inside Indonesia and outside it, especially in the United States may help in this—the use of allocative policy instruments may become less hesitant.

Republic of Korea[45]

In spite of serious drought conditions in two successive years, gross real product continued to increase at a rate more rapid than anticipated. GNP (at constant market prices) increased by 8.9 per cent in 1967 and, according to preliminary estimates, by 13.1 per cent in 1968. Although slightly below the 13.4 per cent attained in 1966, performance exceeded both the 9.5 per cent annual rate of 1962-1966 and the 7 per cent target set for the second plan period, 1967-1971. Agricultural value added fell by 6 per cent in real terms during 1967; the increase in 1968 has failed to restore it to its pre-drought level. Industrial production increases at accelerating rates, on the basis of the high levels of investment in past years in response to growing sales abroad and at home. Employment rose by nearly 3 per cent in both years, reducing unemployment from 7.1 per cent of labour force in 1966 to an estimated 5.2 per cent in 1968. As a consequence of the increased demand for labour and the rising cost of living, daily wages in manufacturing rose by more than 20 per cent in both years. The total increase in mining wages was even greater and wages in other sectors doubtless rose as well. Both wholesale and consumer prices increased more rapidly in 1968 than in the preceding year, but neither rose as rapidly as in 1966. The rise in food prices was mainly responsible for the increase in the indices in 1968.

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[44] *Far Eastern Economic Review*, 1 August 1968, p. 224.

[45] Unless otherwise noted the sources of statistical information are Bank of Korea, *Economic Statistics Yearbook*, 1968 and *Monthly Statistical Review*.

By October 1968, merchandise exports were 43 per cent higher than in the first ten months of 1967; it was expected that commodity exports would reach the target of $500 million in 1968. In 1967 their value had risen by 35 per cent to a total of $358 million, including sales to United States forces in Viet-Nam;[46] imports in that year totalled $996 million, an increase of 39 per cent. Net receipts for services reduced the deficit to $421 million and net transfers of $225 million reduced it further. In the first ten months of 1968, total imports rose by 48 per cent above the corresponding period in 1967; a part of the increase was due to the greater requirements of foodgrains. While the value of food imports rose in 1967, the increase was less than in other consumer goods. Most striking was the expansion of capital goods imports, reflecting the growth in requirements of machinery and equipment for industrial expansion.

Rapid economic expansion has brought forward a number of problems, the first of which concerns the progress of agriculture and its effect on prices and incomes, investment and productivity in the whole economy. Agriculture is still the largest employer and contributor to the national product; its stagnation may retard growth in the rest of the economy. Secondly, a widening trade gap threatens payments difficulties. The expansion of consumption competes for investible resources. Thirdly, there are questions of efficiency in manufacturing, of the scale of production and of management which affect the competitiveness of exports and assume importance in view of the increasing discrepancy between domestic and international prices.

Production

Agricultrual activity[47] in constant prices declined during 1967 by 6 per cent. Most of the decline was accounted for by agricultural food production which suffered from drought; the output of fisheries and sericulture continued to rise. Meat production also increased, but at the cost of a reduction in the average stock of cattle and hogs. Rice production, which accounts for nearly two-thirds of foodgrains, fell by 8 per cent in comparison with 1966; summer grains, of which barley is the most important, were down by 5 per cent; the potato harvest fell by more than a third. After raising its purchase price for domestically produced rice in 1968, the Government released supplies from the buffer stock until October when releases ceased and the price rose. By October, however, imports of rice and other cereals had increased substantially. By the end of the year, the price of rice had declined marginally, though that of barley was still rising. It is anticipated that the 1968 rice crop will turn out slightly smaller than 1967 but increased supplies of imported cereals should maintain prices reasonably stable.

In keeping with the emphasis in development policy, industrial expansion continues to lead the growth in production. Manufacturing in terms of value added at constant prices expanded by nearly 22 per cent in 1967, much more rapidly than the average of the preceding five years. Value added in mining was slightly less and construction quite considerably lower than during the preceding quinquennium. Utilities and transportation grew at percentage rates above those of the period 1962-1966. Both industry and overhead facilities were expected to increase their rates of growth in value added in 1968 (table II-3-4).

The index of industrial production, reflecting changes in outputs rather than in value added, rose by almost 28 per cent in 1968[48] against 21 per cent in 1967 and 17-18 per cent in the preceding two years. The increase was wholly due to a phenomenal rise in manufacturing, by 32 per cent as against 22 per cent in 1967, 18 per cent in 1966 and 21 per cent in 1965. Mining, which declined by 7 per cent is dominated by coal mining (anthracite) where output targets have been revised downwards because of the planned shift to petroleum fuels. The rate of expansion of power production declined from 26 per cent in 1967 to 22 per cent in 1968.

The manufacture of producer's goods expanded by 37 per cent in 1968, much more rapidly than the output of consumer manufactures which grew by 27 per cent, but both rates have accelerated in the same proportion since 1967. Distinguishing the distinations of manufactured outputs in 1968, production for export grew at 36 per cent and for the domestic market at 32 per cent. The high growth rates in manufacturing in 1967 and 1968 are attributed by the Economic Planning Board to the increased inflow of foreign capital, the continued expansion of exports which permits the fuller use of capacity, and the larger and more regular supply of raw material and intermediate inputs resulting from the liberalization of imports.[49] The expansion of the manufacturing industry as reflected in the indices of production for 1968 was much greater than the anticipated increase in real value added. There were increases of over 50 per cent in 1968 for petroleum refining, chemicals and transport equipment, in all of which the addition of new capacity accounted for a large part of the expansion. Although all three contribute to exports, none appears to be primarily an export-oriented industry.[50]

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[46] Economic Planning Board, *Overall Resources Budget*, 1969 (September 1968).

[47] Value added in agriculture.

[48] Based on eleven months.

Among the more readily indentifiable export-oriented industries, the wood products group increased its production by nearly 50 per cent in the first eleven months of 1968; plywood and veneer products are the major exports from this group. The textile industry, with added capacity in man-made fibre production, increased both output and exports, the former at increasing rates. The garment and footwear group registered only a marginal expansion in output in 1968 after the extraordinary increase of nearly 70 per cent in 1967. Overseas sales of garments and footwear continued to expand during 1968 (data for January-October). Both the basic metal and metal products industries show only moderate rates of output growth, in part as a result of reduced export demand from the Republic of Viet-Nam since the change in United States purchase policy in 1965. Continued expansion of capacity in cement production has contributed to the increase in output of 20 to 30 per cent per year in the non-metallic minerals group. Among the lagging industries, production of non-electrical machinery declined by some 6 per cent in 1968 after low rates of expansion in the preceding two years. This industry has been a victim of the liberalization of imports of plant and equipment for industrial expansion. As the manufacturing sector grows, however, there will be added scope for increasing capacity in machine building.

Planners in the Republic of Korea are aware of the potential economies from an integrated development of industry. The two major investment projects which are planned for implementation in 1969 and the remainder of the plan period will produce intermediate goods—petrochemicals and steel. Construction of the petrochemical complex was under way in 1968; when completed its twelve interrelated plants will be centred on a naphtha-cracking unit and will produce inputs for the fertilizer, plastics and synthetic textile industries. The Republic of Korea has agreed with the Republic of China to produce caprolactum and export it against a polyester to be produced in Taiwan. An integrated iron and steel mill with an initial ingot capacity of 600,000 metric tons per year is planned for phased expansion to an eventual 3 million tons. Negotiations with an international consortium formed to undertake the project were in progress at the end of 1968.

Investment and savings

During the period of the first five-year plan, 1962-1966, and the first years of the second plan, the rapid pace of economic growth in the Republic of Korea has been led by exports and investment. During the first plan period, GNP (at constant prices) grew at an annual rate of 9.5 per cent, while gross investment grew by 28 per cent a year and

Table II-3-4. Republic of Korea: economic resources balance (in 1965 prices)

	1966		1967		1968[a]		Growth rate		
	Won (billion)	Per cent	*Won* (billion)	Per cent	*Won* (billion)	Per cent	(per cent per year) 1962-1966	1966-1967	1967-1968
GNP (market price)	913.8	100.0	995.5	100.0	1,125.4	100.0	9.5	8.9	13.1
Agriculture	345.9	37.8	325.3	32.7	326.4	29.0	8.2	-6.0	0.3
Mining and manufacturing	181.4	19.9	222.2	22.3	280.4	24.9	14.4	22.5	26.2
Utilities, transport and construction	84.8	9.3	99.8	10.0	125.2	11.2	17.5	17.7	25.2
Services	301.7	33.0	348.1	35.0	393.4	35.0	6.8	15.4	13.0
Exports[b]	104.5	11.4	141.8	14.2	192.7	17.1	29.9	35.7	35.9
Factor incomes[c]	13.1	1.4	21.5	2.2	23.2	2.1	19.2	64.1	7.9
Imports[b]	203.3	22.2	274.0	27.5	382.2	34.0	14.0	34.8	39.5
Gross domestic expenditure	999.5	109.4	1,106.1	111.1	1,291.7	114.8	8.9	10.7	16.8
Consumption	801.8	87.7	877.3	88.1	985.1	87.5	5.8	9.4	12.3
Private	(717.0)	(78.5)	(783.9)	(78.8)	(883.4)	(78.5)	(6.0)	(9.3)	(12.7)
Investment	207.4	22.7	241.7	24.3	310.1	27.6	27.7	16.5	28.3
Domestic savings	112.0	12.3	118.1	11.9	140.3	12.5	50.5[d]	5.5	18.8
Foreign savings	85.7	9.4	110.7	11.1	166.3	14.8	2.7	29.2	50.2
Statistical discrepancy	-9.6	-1.0	-12.9	-1.3	-3.6	-0.3	-	-	-

Source: Bank of Korea, *Monthly Statistical Review*, February 1969.

[a] Preliminary estimates.
[b] Merchandise and non-factor services.
[c] Net factor income from abroad.
[d] 1963-1966. Dis-saving in 1962.

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[49] *Overall Resources Budget*, 1969.

[50] It may be noted that there is an ambiguity in any classification of industries by demand for their products unless inter-industry demand is taken into consideration. See Bank of Korea, *Monthly Statistical Review*, October 1968, for an explanation of the classification by demand currently used.

exports by 30 per cent; though capital formation increased by only 16 per cent in 1967, this rate exceeded that of the growth in GNP. The impetus to this rate of accumulation came from several sources. Since 1964, the Government has made an increased contribution to domestic savings; the share rose to nearly two-fifths of the total in 1967. It sought to create the conditions under which high profits could be earned and ploughed back into productive investment.[51] Private sector savings (in current prices) expanded nine-fold during 1961-1966. Property and entrepreneurial incomes (after taxes) have expanded far more rapidly during the 1960's than employee compensation and farm incomes. A main factor of success especially during the years of government budget deficits was the United States aid programme, which effectively underwrote the balance of payments deficits. This aid has declined in importance as the finance from international agencies and private sources has increased. From 1962 to 1966, the contribution of domestic savings to gross domestic capital formation increased steadily from a mere one-ninth to over half the total. In 1967 the share slipped slightly as the rate of consumption expenditure exceeded the growth rate of GNP. The increase in the rate of consumption expenditure reflects the rise in disposable incomes, partly the result of wage increases, and the increased availability of consumer goods. Preliminary estimates of consumption outlay in 1968 indicate a rate of growth less than that of GNP.

Gross domestic capital formation exceeded one-fifth of GNP for the first time in 1966 and this share increased further in 1967 as the current account deficit increased and the share of capital goods in total imports rose sharply. Government investment has gone mainly into infrastructure, but also into commodity production: shipbuilding, petroleum refining and fertilizer manufacture. During the first five-year plan, fixed capital formation expanded most rapidly in manufacturing—at an average annual rate of nearly 40 per cent—rising from about a fifth of the total to nearly one-third. In 1967, however, investment in manufacturing declined, by 5.6 per cent in current prices and by somewhat less in constant prices. According to the Bank of Korea, the decline represents the completion of a phase of investment in large import-substitute industries encouraged by the first five-year plan.[52]

Overhead facilities in power and transport taken together accounted for a larger share of total fixed investment than manufacturing, in all years but 1966. Despite this heavy emphasis, the economy has been plagued by inadequate power and transport services as the requirements of industry and urban development have expanded. The demand for electricity was under-estimated by one-half and only by the end of 1967 were requirements approximately met; new capacity to be completed in 1968 was expected to exceed requirements by a small margin. In transport, there has been a continuous shift of emphasis from rail to road in freight and passenger traffic; and the increased tonnages in foreign trade require an expansion of the ports. Investment in these infrastructural facilities increased by more than 60 per cent between 1966 and 1967; this heavier emphasis is planned to continue in the remaining years of the second plan.

Although in normal years agriculture contributes nearly two-fifths of real product and employs an even larger share of the labour force, investment in the sector has typically been less than 12 per cent of capital formation in the whole economy. Even in normal years, output per head of the labour force in agriculture is barely half that in non-agricultural sectors.; farm incomes are correspondingly low and the gap has widened over the past several years. The dominant tendency in the rural-urban terms of trade has been unfavourable to agriculture sinec 1963.

The decline in agricultural output in 1967 and the continued stagnation in 1968 have led to a reassessment of investment needs. According to the Overall Resources Budget for 1969, investment programmes in agriculture are expected to increase by more than a third, though the sector's share in the total outlay on investment programmes will remain small at only 16.4 per cent. The main emphasis is on fishing, sericulture and special crops, and on promoting animal husbandry. Irrigation projects are to be pushed to completion and the development of small-scale rural industry is to be assisted.

The fundamental evaluation of agriculture in investment planning has apparently not been altered. The productivity of investment in agriculture is accepted as being markedly lower than in other sectors. Despite relatively poor soils and a difficult climate, foodgrain yields are among the highest in Asia and further increases will be difficult to achieve. It is thus more economical to steer investment towards industry and industry-supporting overhead facilities —in part also of benefit to agriculture—than to allocate large investment resources to projects which will yield relatively lower returns. As long as the returns from agriculture are sufficient to provide some improvement in farm incomes and purchasing power to support domestic demand for non-agricultural output, the sector should not in normal years constitute an impediment to general growth.

Employment and earnings

At least since 1964, the rate of unemployment in the Republic of Korea has declined each year as employment has risen in manufacturing and other non-agricultural sectors. Agricultural employment has declined, not only as a result of the increased demand for labour by other sectors but also because of the decline in agricultural incomes. The flow of potential workers from rural to urban areas has increased in poor agricultural years. The inter-sectoral shift of labour which has occurred within the short space of four years is considerable; it has resulted in a decline in the agricultural share of total employment from

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[51] Savings have been encouraged by exceptionally high interest rates on time deposits.

[52] Bank of Korea, *Review of Korean Economy in 1967* Seoul, 1968, p. 100.

62 per cent in 1964 to an estimated 53 per cent in 1968. Manufacturing absorbed the largest part of the increase in total employment in this period; its share in the total rose from 8.2 per cent in 1964 to 11.7 per cent in 1968.[53] The average annual rate of growth in manufacturing employment between 1964 and 1968 was 15.5 per cent, while total employment rose on average by 2.8 per cent per year.

Comparison of the employment structure with that of value added by industrial origin provides a crude measure of relative productivity by sector. During the period for which data are available, ralative productivity in agriculture was approximately 70 per cent of the national average, and that in non-agricultural sectors 143 per cent. Within the latter, relative productivity in industry was 180 per cent and in services, including transport, 125 per cent.

In order to attract labour to an expanding sector, it is to be expected that earnings must rise. The fall in the rate of unemployment from 7.7 per cent to an estimated 5.2 per cent of the labour force between 1964 and 1968 suggests some inelasticity in the supply of labour to non-agricultural sectors and contributes to the upward pressure on earnings; increases in the urban cost of living at a rate of more than 15 per cent per annum in the same period have reinforced this tendency.

Given the labour-intensive character of much of the Republic of Korea's manufacturing, not least some of the export-oriented industries, wage costs are likely to form an important part of total costs. Though industrial wage levels are low by international standards, the growth in money wages and earnings in recent years has given rise to discussion of the means to control wage costs. As employment in manufacturing has risen, money earnings have also gone up, in the period between 1964 and 1967 at an average annual rate of nearly 20 per cent. During the same years consumer prices increased by 16 per cent a year on average, leaving an average annual gain in real daily earnings in manufacturing of somewhat more than 3 per cent.[54]

Labour productivity in manufacturing rose irregularly between 1964 and 1968, at an average rate of over 11 per cent per year,[55] while money-wage costs per unit output rose on average by only 7.5 per cent a year. The increase was irregular—nearly 12 per cent in 1966 and over 6 per cent in 1967—and could well give rise to complaints about wage costs. Moreover, when individual industry groups are examined, some of them show substantially greater increases.[56]

Prices and stabilization

Since the government budget has been put in order, the chief expansionary influences on money supply have come from the balance of payments and credits to the private sector. Since 1964, money supply expansion has regularly exceeded the rate of growth of real product by a large and, at least through 1967, an increasing margin. The demand engendered by the rapid growth of incomes from manufacturing, construction and other production sectors presses upon domestic resources; bottlenecks have appeared persistently in transport and power and some domestically supplied materials. In the last two years the shortfall in agricultural output has aggravated the situation; and the supply of labour has proved to be somewhat inelastic. Price rises averaging 6 to 9 per cent per year at wholesale and 11 or 12 per cent at retail level during the past three years do not in the circumstances seem extraordinary, nor are they large in comparison with the increase of 35 per cent recorded as recently as 1964. Against this background the expression "relative price stability" which recurs frequently in official reports does not appear inappropriate.

Consumer prices as reflected in the Seoul consumer price index rose by 12.1, 10.8 and 11.1 per cent over the last three years.[57] Whilst the major effect of the drought and crop failure of 1967 on food supplies was felt in 1968, foods did not provide the largest increases in the price index. In all three years the rate of increase in the miscellaneous group—including health and personal care, tobacco products, transport, education and recreation services—was greater than the total, mainly because of increases in the controlled transport charges and in wages in service trades. In 1966 and 1967, rates of increase well above the average occurred in fuel and light and in housing. The former resulted from increases in the administered prices of coal and power. Housing costs consist mainly of rents, which rose sharply in 1966 and 1967 but were curbed in part by measures taken to decrease real estate speculation in 1968.

The wholesale price index reflects the effect of the Government's stabilization policy. Measures taken in 1967 and 1968 to ease the import of intermediate goods and raw materials show their effects on several sub-groups, dampening the rate of increase in the price of fibres and reducing that of chemicals to minor proportions. Industrial demand for the products in both groups was high and rising in both years. The special index for wholesale prices of all imports shows the effect of import liberalization: in three successive years, 1966-1968, import prices changed by 2.3 per cent, 3.9 per cent and -1.2 per cent. In all three years, the wholesale prices of consumer goods rose at greater rates than those of producer goods; this reffects the bias of import policy. In 1966 and 1967 prices of wholesale grains rose at rates above those of the foods group, and these, in turn, exceeded the rise in the general wholesale index. Finally, the sharp rise in wholesale prices of building materials in 1968 appears to have occurred in response to the renewed expansion of construction activity.

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[53] All estimates for 1968 based on adjusted figures for three quarters.

[54] Because the All Urban Consumer Price Index is not available prior to 1965, the Seoul index has been used. Daily earnings are used in order to eliminate the variations in man-days per month, primarily for the purpose of estimating changes in wage costs per unit output in manufacturing.

[55] See Korea Productivity Center, *Labor Productivity Index in Korea* Seoul, 1964, Productivity Research Series No. 22, and the current index numbers in *Labor Productivity Index* (quarterly).

[56] A more appropriate measure of wage costs per unit of output is obtained by deflating the index of the real cost of wages by the labour productivity index. The index used is that of wholesale prices of producer's goods, selected to provide a comparison of wage costs with the costs of other inputs. This index suggests that the real wage costs of output in manufacturing declined substantially in 1964 and 1965 but rose in 1966 and 1967 by approximately 3.5 per cent each year.

[57] Annual averages.

Stabilization measures were employed in both 1967 and 1968 to moderate commodity price fluctuations, to lower prices of strategic commodities (grains and producer inputs mainly) and to reduce the liquidity of the monetary system. Import liberalization was initiated in July 1967.[58] During the rest of the year and during 1968, the liberalized import of intermediate goods was effective in checking the rise in prices and in production costs. Customs duties were eliminated from imports of several key industrial inputs, including rubber, soda ash and staple fibre. Commodity budgets were established in order to identify imbalances. Domestic foodgrain purchases were continued, at increased prices in 1968, and rice and barley were released from buffer stocks to weaken the rise in prices.

Monetary measures were also taken, to limit the liquidity of the system and ensure that credit would be rationed by interest rates. The Bank of Korea issued an increased volume of its Stabilization Bonds to the commercial banks to increase control over bank liquidity and Treasury Bills were issued for the same purpose. In November 1967, reserve requirements were raised on time and savings deposits; in January 1968, however, the minimum reserve ratio for short-term savings deposits and demand deposits was lowered. In October 1968, the Bank of Korea raised its rediscount rate on commercial bills. While stabilization policy in 1967 was effective in limiting the rise in wholesale and retail prices, in 1968, the wholesale price index rose above the 6 per cent target previously announced; retail prices exceeded the target limit by a smaller margin.

Trade and payments

The emphasis on export expansion which characterizes the country's commercial policy is intended to create a viable payments position on current account. On capital account, the aim is to reduce dependence on aid.[59] Its place is increasingly filled by imports of private capital and in the first three quarters of 1968 the increase continued. Short-term trade credits rose sharply in 1967 and continued to increase in 1968. These foreign liabilities are largely responsible for the accumulation of external reserves.[60] Since they increase domestic liquidity, steps are being taken to limit their expansion.

The expansion of merchandise imports relative to exports in 1967, and the prospect of the continuation of this divergence during 1968, has caused concern. Restraints upon imports led the Economic Planning Board to recommend restraints on the import of consumption goods. In addition, policies were recommended which would encourage the development of industries producing raw materials and other industrial inputs, including machinery. Food production is to be encouraged, also for the purpose of import substitution.

The growth of exports and the continued diversification of products and markets is fostered by a variety of measures; (i) automatic approval to import raw material inputs for, and tariff examption for goods used in, export production; (ii) preferential licensing for capital goods imports; (iii) preferential bank credit to finance exports, and (iv) reduction, by half, of the tax on income from exporting. In addition, loans in foreign exchange have been granted to export industries from official reserves to reduce the dependence on foreign suppliers' credits.

The dollar value of merchandise exports more than doubled between 1964 and 1966 and will doubtless have doubled again between 1966 and 1968 if, as it appears, the $500 million target has been reached. Considerable diversification has been achieved, with substantial exports of such products as garments, plywood and veneer, and footwear among manufactures in addition to cotton textiles and steel plate and sheet. Manufactures provided less than half of total exports in 1964 but had risen to fully two-thirds by 1967. Perhaps the weakest element in the expansion of manufactures exports remains their continued dependence upon imported inputs. Hence the renewed policy emphasis on import-substitute production of raw and intermediate inputs.

Invisible trade partially offsets the deficit on merchandise account. In 1967 military transactions led to a net receipt of $163 million, mainly for goods and services to United Nations forces in Korea and sales to United States forces in Viet-Nam. Non-military transactions, also in the item, government (not included elsewhere), yielded $27 million and brought the total to $190 million. This item had increased from $62 million in 1964 to $123 million in 1966. Foreign aid and grants (including PL 480 sales) amounted to nearly $100 million in 1967 and were on the decline. Private transfers by Koreans working overseas amounted to $91 million in 1967 after rising from $54 million in 1964 to $98 million in 1966.

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[58] The system of general licensing of imports was replaced by a negative list, banning or requiring licences only for specified imports.

[59] Disbursements of United States aid have declined fairly continuously since the early 1960's; the amount was $65 million in 1966, $53 million in 1967 and $37 million at the end of September 1968. PL 480 grants increased to $44 million in 1967 and were expected to rise further in 1968 to help cover the shortfall in cereals output.

[60] Foreign asset holdings have accumulated rapidly since 1964, with accretions of $9.4 million in 1965, $97.5 million in 1966 and $111.4 million in 1967. In the first eleven months of 1968, the increase was $26.5 million, representing, a much lower rate of change.

Merchandise exports amounted to 17 per cent and exports of goods and non-factor services to over 11 per cent of GNP in 1967. For a relatively small economy these proportions do not suggest a high degree of dependence on exports though the relative level has risen rapidly. Merchandise imports (c.i.f.), however, were more than 20 per cent of GNP in 1967. With due allowance for the necessary foreign contribution to gross savings during the process of rapid industrialization, successful implementation of the export programme envisages a rising dependence of national product on foreign markets, approaching perhaps the current ratio of imports to GNP. The input-output tables for the Republic of Korea provide a more accurate measure of the dependency on external trade. The relative constancy of the economy's dependence on imports and the progress achieved in paying for imports with exports is clearly reflected in the following proportions of import and export values to the total value of output.[61]

(Percentages)

	1960	1963	1966
Imports	12.2	12.1	12.8
Exports	2.8	2.9	6.4
Exports/imports	23.1	23.6	48.8

Domestic and international prices

At the end of 1967 the mechanism for transactions in foreign exchange was altered to give the exchange banks some autonomy in adjusting the exchange rate to variations in supply and demand, only the so-called "basic rate" being determined by Bank of Korea. Although the exchange position was characterized as "over-bought" in late 1967[62] and foreign exchange assets were accumulated over subsequent months, the "basic rate" and the exchange banks' selling rates were raised somewhat throughout 1968.

In export circles the possibility of devaluation of the *won* has been raised again. The relatively minor increase in the exchange rate in 1968 is not thought sufficient by many exporters, who consider the *won* to be to some degree overvalued. The increasing disparity between domestic and international prices impinges upon the incentive to export, and blunts the incentives offered to exporters. In conjunction with this price discrepancy, the cheap borrowing rates abroad have induced many producers to negotiate foreign loans to finance their working capital as well as their investment needs. As a net addition to the reserves of the banking system, this source of credit contributes to domestic inflationary pressures. The recent downward adjustment in the discount rate on loans for export promotion funds was intended to offset this tendency as was the decision to limit the use of supplier's credits.

Aside from the growing cost-price discrepancy in export manufacturing there is little evidence to suggest that the *won* is significantly overvalued. Devaluation would immediately raise the cost of imported inputs and capital goods and the cost of repaying long-term foreign obligations. Clearly domestic prices have been rising at rates in excess of international prices; production costs have also risen, including the money cost of labour inputs though the rise in the real cost of labour per unit output is probably much smaller. The necessity to compete in export markets requires continuous cost reductions, and these are not easily come by. In part this reflects the understandable shortcomings of management in new enterprises. Most manufactured exports are produced in medium-sized firms, not necessarily of a scale which allows production at internationally competitive costs. While the labour-intensive industries which dominate export manufacturing keep the advantage of wage rates which are still remarkably low by international standards production efficiency appears less important than the mere expansion of output. The squeeze on profits which is being exerted by rising money wages in manufacturing may provide the good which will force managers to greater efficiency. But in the foreseeable future the stability of the economy and of the exchange rate will depend basically on the ability to maintain imports at levels far in excess of exports.

Fiscal and commercial policy

Beginning with its stabilization programme during 1963 and 1964, the present Government has endeavoured to create conditions which are conducive to rapid economic growth. As a measure of stability was achieved, the Government assumed an increasing role in the generation of impulses to growth. This process has required organizational changes to provide the institutional mechanism for planning and plan implementation. In fiscal terms, it has required policy measures to increase the share of total resources over which the government has direct control; it involves as well effective means whereby the private sector can be induced into behaviour consistent with the plan.

Between 1964 and 1967, GNP at current market prices increased by nearly 80 per cent. Current revenues of all levels of government more than doubled during the same years; hence the share of the government budget in GNP rose from 14.5 per cent in the former year to 16.9 per cent in the latter. Concomitant with this expansion of the share of resources over which government exercises direct control, the structure of government current revenues also changed. Tax revenue increased from just under half to nearly two-thirds of the total in these four years. From about 40 per cent in 1965, the share of direct taxes in total tax revenue (including government monopoly profits as an indirect tax) rose to just over 45 per cent in 1967. As the share of tax revenue in total current revenue increased, the foreign-source share was reduced from 31 per cent in 1964 to 16.5 per cent in 1967.

Prior to 1967, the expansion of the tax revenue share was largely the result of improved tax administration. In 1967, legislation was passed to provide for a comprehensive reform of the tax structure and tax rates, including a tariff reform complementary to the so-called negative-list system adopted in mid-1967. Estimates made by the Economic Planning Board anticipated a further rise in the tax share of total revenues in 1968 and 1969 to nearly three-fourths of total current revenue in 1969.[63] A minor and probably temporary shift in the structure of tax revenues was expected in 1968. The newly revised income tax law will limit the increase in revenue from this source; although incremental tax rates were raised on the top brackets, the level of exempt income was also increased. However as personal and corporate incomes continue to rise, it is expected that a permanently larger revenue will result. Revenues from indirect taxes under the new legislation are to increase rapidly so that, according to budget estimates, their share of total tax revenue will rise. The indirect taxes mainly responsible are the commodity and liquor tax and import duties. Under the reform, the list of commodities subject to tax has been expanded, mainly by the addition of luxury goods and other non-essentials, and by an increase in rates. Import duties on luxury goods were increased substantially.

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[61] Bank of Korea, *Monthly Statistical Review*, September 1968, p. 29.

[62] Bank of Korea, *Review of Korean Economy*, 1967, pp. 136-137. See also *Monthly Statistical Review*, various issues, 1968.

The tariff reform was designed to allow more effective protection of demestic industry and greater flexibility in commercial policy. Tariff rates were increased to protect domestically produced goods and rates on imports of raw materials, and in certain cases on machinery, essential to domestic industry were reduced. For industries which have developed sufficiently so as not to require further protection, duties on competing imports have been lowered. For purposes of flexibility in adjusting to changing conditions in international markets, the Government was authorized to alter tariff rates within specified limits. The system of classification of imports, which was evolved in connexion with the negative-list system, allows quotas to be imposed on imports which are of economic importance. Flexibility in the stipulation of quotas is achieved by shifting import commodities among the categories of prohibited, restricted or automatic-approval items. This is done at the time the semi-annual trade programme is drawn up, or, if necessary, at more frequent intervals.

According to Bank of Korea estimates, the overall tax burden, expressed as the ratio of total tax revenue to GNP, rose from 7.3 per cent in 1964 (actual) to 11.4 per cent in 1967 (budget).[64] Taxes of the central Government were 6 per cent of GNP in the former year and, according to final budget estimates, 12.8 per cent in 1968.[65] Though this doubling of the share in a period of four years represents a substantial increase in the Government's control over financial resources, the tax burden in the Republic of Korea appears low in comparison with other less developed countries.[66]

Consistent with the relatively slower growth of indirect taxation through 1967, the burden of the main indirect taxes which fall on consumption (excluding import duties) increased from 2.1 per cent in 1964 (actual) to 3.7 per cent in 1967 (budget estimate). On average between 1964 and 1967 direct taxes on households and non-profit institutions increased by nearly 46 per cent a year. Largely the consequence of the increase in direct taxes, the average annual increase in disposable income was 18.4 per cent while that of personal income was 19.3 per cent.

Revenue from the same consumption taxes (excluding import duties on consumption goods) increased by an average 44 per cent per year between 1964 and 1967; consumption outlay grew at 18.5 per cent, marginally more rapidly than disposable income. Savings of households and non-profit institutions out of disposable income were highly variable; 1.9 per cent in 1964, 0.3 per cent in 1965, 5 per cent in 1966 and 1.3 per cent in 1967.

Direct taxes on corporations increased by 56 per cent per year on average, in 1964-1967. As a share of gross corporate income (dividends, corporate transfers, and savings plus direct taxes), the direct tax burden rose sharply in 1966 to nearly 26 per cent, from 18 per cent in 1965. Nevertheless, gross corporate income increased at an average rate of 39 per cent a year and corporate savings at nearly 37 per cent in the same period. No other income share increased so rapidly during these years.

Because tax revenues are not equivalent to total government receipts, budget expenditure is greater than tax income. According to the classification used by the Bank of Korea, general government expenditure expressed as a percentage of GNP increased from 10.8 per cent in 1964 to 13.7 per cent in 1966 (actuals).[67] The comparable actual figures for 1967 show the ratio at 18.4 per cent of GNP while the final budget estimate for 1968 raises it further to 22.4 per cent.[68] Although these ratios provide a fair indication of the relative increase in the expenditure of the Government against a well-defined benchmark, they overstate the government contribution to expenditure on GNP. According to the national accounts the government contribution excluding changes in stocks held by the Government and the capital formation by government-controlled corporations was 11.5 per cent in 1964; by 1967 this share had risen to 16 per cent.

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[63] *Overall Resources Budget*, 1969.

[64] Bank of Korea, *Review of Korean Economy*, 1967, table 24, p. 59.

[65] See *Monthly Statistical Review*, December 1968. In all cases cited, tax revenue includes profits of government monopolies.

[66] For example, China (Taiwan), 1976: 14.8 per cent; Malaysia, 1966: 16.0 per cent.

[67] Bank of Korea, *Review of Korean Economy*, 1967, table 27, p. 62. Ratios for 1967 (actual) and 1968 (final budget) are derived from data in *Economic Statistics Yearbook*, 1968 and *Monthly Statistical Review*, December 1968.

[68] Inclusion of the special accounts in the reckoning gives 17.3 per cent for 1964 (actual) and 38.8 per cent in 1968 (final budget).

Malaysia

Overall growth and the use of resources

The economy of Malaysia recovered strongly in 1968 from the comparative stagnation of the preceding year. Exports acted again as the major factor of recovery but they were supported by increases in public expenditure.

At current market prices, gross national product is estimated to have increased by about 5 per cent, as against an increase of only 3.9 per cent in 1967 and 6.6 per cent on the average in 1963-1966. In real terms, however, gross national product (at 1965 prices) grew more than twice as fast as in nominal terms, that is, by 8.4 per cent. The obvious explanation of the discrepancy lies in the growth of production for exports: 15.4 per cent in real terms — but only 7.3 per cent in current prices.[69] When real national income is adjusted for changes in the terms of trade[70] it grew in 1968 by 4.5 per cent.[71]

At current prices, consumption expenditure in 1968 grew only a trifle faster than GNP — the excess had been significantly greater in the preceding two years. Investment expenditure, at 18 per cent of gross national product, grew by 3½ per cent during the year. This contrasts with near stagnancy during 1967. Gross investment expanded by 3.1 per cent per annum between 1965 and 1968 compared with the target of 4.2 per cent in the first Malaysia plan (1966-1970). Private investment, which varies closely with exports, increased by 6.3 per cent annually and was only slightly off the plan target. Public investment in 1966-1968, however, which represents more of a policy declaration than other projections in the plan, fell short of its target by one-fifth.

Projects of agricultural and industrial development accounted for one-third of public development expenditure during 1966 to 1968. The Federal Land Development Authority projects, the establishment of industrial estates and the MARA[72] projects were all successfully pursued but shortfalls occurred in the small-holders replanting programme and the research, extension and promotional programmes for agricultural and livestock production.

Infrastructural development in West Malaysia was held back pending the completion in 1968 of the comprehensive transport survey undertaken with the assistance of the United Nations Development Programme and the World Bank.

Gross national savings increased by 2 per cent in 1968 after the decline of 2 per cent recorded for 1967. The recovery in exports was probably responsible for a 9 per cent rise in producers' retained income while personal savings increased by 11 per cent; both categories of savings had declined in 1967. Government savings, on the other hand, which had risen by 36 per cent in 1967, declined by 13 per cent as the rate of revenue increase could not keep pace with that of expenditure.

Since investment grew by 1 per cent in 1967 and by 3 per cent in 1968, external resources have to take an increasingly larger share in financing investment. The current account deficit on goods, services and transfers rose from M$ 8 million in 1966 to M$ 62 million in 1968. This, however, is still smaller than the deficit projected in the plan, which was M$ 340 million for 1968. The ratio of investment to GNP declined marginally from 18.6 per cent in 1966 to 18.0 per cent in 1968. That of savings to GNP decrease faster, because of the decline in 1967, from 18.6 to 17.4 per cent. National savings, however, turned out to be much higher than envisaged in the plan as private consumption growth had been overestimated. Private consumption grew by 5 per cent annually, government consumption by 8.4 per cent and the total by 5.7 per cent in current prices, or 4.8 per cent at constant prices.

Production for domestic use

The spectacular increase in rice production, by almost 18 per cent in 1968, partly reflects the low production in 1967 due to flood damage but also indicates the success of the Government's rice self-sufficiency programme. Self-sufficiency is believed to be possible by 1970 or 1971. Imports of rice, which averaged in recent years 400,000 tons or M$ 167 million per year, were considerably reduced in 1968. A combination of improved seeds, irrigation facilities and credit facilities contributed to this success. Malaysia has its own high-yielding varieties, including two new short-term varieties developed for double cropping, Malinja and Mahsuri, which increased yields during 1964-1966 to an average of 2,400 pounds per acre in West Malaysia.[73] In addition, the guaranteed minimum price scheme guarantees rice purchases by private millers, who can then sell their rice to the Government. The minimum price has been pegged for the past six years at M$ 16 per picul for dry paddy. Importers of rice are required to buy rice from the government stockpile in a specified ratio to their imports. Domestic rice is sold at a loss in the market but importers recoup their losses from the higher price of the imported rice. Unless the average quality of local rice can be improved, self-sufficiency will have to be imposed by import restrictions; account being taken of quality, the price of rice must thus increase.

Increased production of paddy will increasingly come from areas of double cropping, which rose from

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[69] Production for domestic use, on the other hand, rose by 2.3 per cent only in real terms, lower than the 2.8 per cent growth rate at current prices.

[70] By combining production for domestic use at constant 1965 prices with production for exports at current prices and adjusting for gain or loss from changes in import prices.

[71] Malaysia, Economic Planning Unit, *Mid-Term Review of the First Malaysia Plan, 1966-1970*, Kuala Lumpur, 1969 p. 5.

[72] The government body established to promote the participation of Malays in economic development.

[73] Another new variety, the Padi Ria, was discovered in 1966 and is reported to be capable of yielding 7,280 pounds per acre.

90,000 acres in West Malaysia in 1965 to an estimated 220,000 in 1968. The area is being added to by large-scale irrigation projects that are now under construction.[74]

Increases in the production of poultry, eggs and pork have gone far to replace imports: Import duties on further foods will now be extended to East Malaysia as well and for the country as a whole duties on fresh and preserved fruits will be raised to stimulate domestic production.

Research continues into the possibilities of diversifying Malaysia's agriculture. The production of tapioca is expanding and there is an interest in establishing banana plantations.[75]

The output of manufacturing seems to have grown faster in 1968 than in 1967.

The first phase of the Malayawata Steel Company project, an integrated steel mill which was established, with government participation, under the Pioneer Act, came into production in 1967. Its capacity is 70,000 tons per annum and it utilizes domestic materials only. In the second stage, which may be finished in 1970, capacity will increase to 120,000 tons. In addition, re-rolling mills using imported billets as raw materials came into production. In 1968, new capacity came into use in the assembly of vehicles and agricultural implements and in the manufacture of consumer durables.

The composition of manufactured output rather than its rate of growth diverges much from what the five-year plan foresaw. Consumer goods industries grew faster than expected, faster than wood and rubber products, chemicals, metals and engineering which the plan expected to grow much more quickly than they did in fact.

The industries that lagged behind expectations were those based on domestic industrial raw materials —rubber, ores and forest resources. The investment incentive schemes and the operations of MARA were intended to foster these industries which are presumably the more difficult ones to organize, requiring larger markets or greater capital investments. They may need stronger incentives or more direct government support than is available at present.

Industrial development has been left almost completely to the private sector and a proliferation of industries has resulted.[76] Many industrial sectors are now characterized by the operation of many relatively small units. Market expectations were also upset by the separation of Singapore.

With the increasing emphasis of policy statements on industrialization and the approaching exhaustion of the scope for easy import substitution, the strategy for industrial development will presumably need rethinking. Tariff protection and tax incentives have in the past tended to be granted widely and *ad hoc*. For more rapid industrialization, assuring the growth of income and employment, greater direction may be required in harnessing incentive policies to the requirements of structural change and in the development of export-oriented industries.

The foreign corporate sector plays a large role in import-substituting industrial development as well. While the outflow of profits, interest and dividends from the foreign sector in the traditional export industries may tend to move with exports, the outflow on account of foreign investments in consumer import substitutes is likely to be much less directly linked to exports.[77]

The threat of falling exports, which became real in 1967, increased the Government's awareness of the need for industrial development. The Federal Industrial Development Authority came into existence in early 1967 with the function of co-ordinating and strengthening the country's industrial development programme. It is now responsible for the implementation of investment incentives and for publishing and promoting investment opportunities through pre-investment surveys and research into the profitability of different categories of industries to which the plan attaches priority: industries utilizing domestic raw materials, particularly timber-based and agriculture-based industries; processing of the country's traditional tree crops; industries which are labour-intensive and industries which manufacture capital or intermediate goods for which extensive markets already exist or are in prospect, e.g. machinery for rubber and palm oil processing and for lumber mills and export industries.

The Investment Incentive Act of 1968 replaces the Pioneer Industries Act of 1956 and eligibility of pioneer status under the new act has been extended to non-manufacturing industries. The tax incentives given under the act are divided into those granted pioneer status and those which only qualify for investment tax credit.

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[74] The Muda river project, costing MS 204 million will, when completed, by June 1969, permit double cropping of some 130,000 acres. The Kemubu river project, costing M$ 40 million, will enable a further 55,000 acres in Kelantan to be converted from single to double cropping. Loan negotiations were concluded with the World Bank and construction was begun in 1968.

[75] A new statutory body, the Malaysian Agricultural Research and Development Institute is responsible for public sector research on all crops (except rubber), livestock, poultry and fresh water fisheries.

[76] Government of Malaysia, Ministry of Commerce and Industry, Industrial Development Division, on pioneer certificate holders as at December 1965, Kuala Lumpur. —Government of Malaysia, Federal Industrial Development Authority, A guide to products manufactured in Malaysia, Kuala Lumpur, 28 March 1968.

[77] It is normally assumed that the international flows of profits and dividends, being linked to export revenue, tend to stabilize the balance of payments of Malaysia. Such stabilizing tendencies are, however, difficult to verify and may have become swamped by remittances of incomes and capital unrelated to changes in exports. From 1961 to 1967, investment income outflows formed 10.6 to 12.6 per cent of export receipts with no discernible pattern. More important, the outflow of investment income plus the item of errors and omissions has varied between 13.7 per cent and 21.4 per cent of export proceeds —again without any discernible pattern.

Also, export incentives are given in the form of additional tax reliefs such as accelerated depreciation allowances, payroll tax relief and tax rebates on incomes attributable to export earnings.

In practice, it appears that the principles for industrialization and the incentives are qualified by the objective of developing the industrial status of the Malays. MARA has transferred the emphasis in its activities from agricultural lending to the active promotion of industries. It now owns a number of industries and transportation companies although total annual investments of MARA are still negligible by national standards.[78]

The rate of tariff protection in Malaysia is quite low by comparison with other countries. Import substituting industries have emerged in the past with a minimum of tariff protection. Recently, however, tariff protection appears to have been more essential to the growth of industrial ventures. Car assembly, for instance, which does not enjoy pioneer status, was able to grow rapidly behind tariffs and import restrictions: a 35 per cent import duty on cars and 20 per cent on commercial vehicles, in addition to import licensing.[79]

The changes in tariffs during 1968 were mainly connected with the harmonization of rates between East and West Malaysia. The relatively faster growth of East Malaysia and the existence of vast timber resources removes part of the justification for the tax discrimination in favour of East Malaysia and the average net outflow of M$100 million of Federal resources to East Malaysia during the past few years.

During 1968, common external tariffs were fixed on 156 items of the Malaysian Trade Classification and Customs Tariff, leaving still some 359 items yet to be harmonized. Of these, 211 items will be harmonized in 1969. In another development, the free port status of Penang is being gradually eroded as import duties on a number of important items are being extended to Penang.

Production for export and foreign trade

Production for export increased greatly during the year: rubber output rose by 12 per cent, tin by almost 20 per cent, saw logs by 13.5 per cent, sawn timber by 31 per cent and palm oil by 51 per cent. In total, production for export in the five main commodities (rubber, tin, timber, palm oil and kernels, and iron ore) expanded by about 16 per cent.

But export prices continued to decline, except for logs and timber. The price of rubber declined to 43.5 Malaysian cents per pound in February 1968, the lowest level since 1949, then it recovered and went up to 60 Malaysian cents in November 1968, the highest since December 1966. The average for the year, however, at 53 Malaysian cents, was still slightly lower than the 54 Malaysian cents of 1967.

Tin prices were also low until September 1968 when export controls were imposed and when demand for most metals revived because of the international monetary crisis. The average price for the whole year, M$565 per picul, was well below the M$604 of 1967. The steep rise in palm oil production was accompanied by a steadily declining price. In August the price dropped to M$363 per ton—the lowest in post-war years—and it is likely to remain low because of the heavy production of competing materials in western Europe. The price of logs remained relatively stable but that of sawn timber rose. Since both increased in volume, the contribution to export earnings was substantial and logs and lumber exports may replace tin as the second largest export earner in 1969.

Because of the increases in export volumes, export value expanded by almost one-tenth to a record M$4.07 billion, in spite of low or falling prices. This contrasts sharply with the decline of export value by 3 per cent recorded in the previous year.[80]

Imports grew by only 6.5 per cent to reach M$3.35 billion, largely due to an increase in imports of primary products from Indonesia such as tin and rubber for processing and re-exports. The value of food imports declined with the success of the rice programme. The trade surplus was thus about one quarter larger than in 1967.

The plan continues to rely basically on the expansion of rubber, timber and palm oil products, at least in the near future. Rubber production is projected to increase in 1969 by 7.9 per cent and in 1970 by 4.2 per cent, palm oil by 17.0 and 26.5 per cent. Tin production in the same two years is expected to decline by 4.1 per cent and 1.4 per cent while round timber will increase by 9.2 and 8.8 per cent. The envisaged increases of sawn timber are 8.5 and 10.2 per cent respectively.

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[78] For the period of the first plan, MARA is being provided with MS70 million for the specific purpose of assisting the Malays to play a part in the country's industrialization (First *Malaysia Plan*, p. 137). While MARA also considers industrial projects according to cost benefit considerations, it may select projects which are "viable in their own right" (in terms of total costs and benefits to the community).

[79] Protection at these levels may still not be sufficient in the face of an apparent overestimate of long-run demand.

[80] All four major export commodities recorded substantial increases in export values; rubber exports yielded M$1.34 billion, an increase of 5.5 per cent over 1967, tin metal exports rose by 12 per cent to M$846 million, timber exports reached MS687 million, or 18 per cent higher than 1967 exports, and palm oil and palm kernel exports rose to M$140 million, or 13 per cent above the 1967 figure, making palm oil and kernel the fourth largest export of Malaysia, replacing iron ore. With the gradual exhaustion of good quality ore and reduced demand from Japan which has developed alternate sources in Australia and south America, iron ore exports declined to M$104 million, or 14 per cent lower than the 1967 figure.

Increasing importance is attached to the Federal Land Development Authority's land clearing projects and the major part of production increases in rubber and palm oil will come from such schemes.[81]

After massive replanting, further increases in the productivity of rubber cultivation are sought in the smallholder section. The development of Standard Malaysian Rubber marketing procedures and, especially, the related development of hevea crumb factories for smallholders' rubber since September 1964 have that aim.[82]

The tin industry is already undergoing structural changes in obedience to technical and economic factors but an overall policy approach to this industry seems necessary in view of the likely development of Malaysia's share in the market. In 1968, the International Tin Council imposed quotas in a bid to prevent a further deterioration of prices. Malaysia's share was slightly less than exports in the immediate past but the resultant increase in the price was gratifying enough. It seems unlikely, however, that existing quotas can be sustained for long. Mining in both Indonesia and Thailand has been recovering and a re-adjustment of quotas may soon be demanded. The alternative of no quotas would be particularly damaging since Malaysia is the largest producer.

Malaysian export policy, and thus Malaysian development policy at large, embodies the calculated risk of continued heavy reliance on rubber and, to a lesser extent, palm oil. In the case of rubber large increases in productivity have already been achieved and productivity will further increase as replanted acreage comes into bearing and as further technological and managerial innovations are introduced. The profitability of rubber depends on demand for natural rubber and on the supplies from other producers. Malaysia's policy is based on the expectation of a continuing growth of demand and, secondly, on the assumption of superior productivity which would allow its rubber industry to hold its share of the natural rubber market if demand rises or enlarge it if demand falls. Replanting, however, also proceeds elsewhere and rubber production is being developed or re-developed in other countries throughout the world. The impact of a competitive struggle upon rubber prices may be sharp. Malaysia's rubber policy thus implies a judgement of the profitability of its resources in alternative uses which may need revision as further development opportunities are indentified. Broadly similar arguments apply also to palm oil, and perhaps with greater strength since that industry has not achieved the same technological headstart over competing producers and products that can be assumed to exist in rubber.

Balance of payments

While trade was in surplus in both 1967 and 1968, the current account of the balance of payments showed net deficits of M$62 million in 1968 and of M$54 million in 1967. Invisible imports which fell in 1967 in consequence of lower export earnings may have increased sharply in 1968. The phased withdrawal of United Kingdom troops continued to influence invisible exports as it had in 1967, and finally there were increased payments for freight and insurance arising from higher imports. The errors and omissions item, which includes private capital short-term movements, improved from a deficit of M$271 million in 1967 to one of M$207 million in 1968.

Viewed in terms of the five-year plan, export receipts over the three-year period 1966-1968 proved sufficient to cover the initial impact of the British withdrawal and the consequent inflow of grants. Export receipts for the first three years amounted to M$11,492 million as compared to M$10,818 million in the plan whereas imports, at M$9,755 million, were lower than the M$10,212 million envisaged in the plan.

External reserves increased further during 1968 and amounted to seven to eight months of retained imports.[83] Part of the increase in reserves may have been the immediate reaction to the requirement that only Malaysian banks should in future receive the proceeds from exports to non-sterling area countries.

Agreement was reached with the United Kingdom on a guarantee for the larger part of Malaysian sterling holdings against a further devaluation.

The budget and fiscal policy

The unification of income tax and import taxes among the constituent states of Malaysia formed the object of all significant tax reforms during 1968, except for the imposition in 1968 of excise taxes on a wide range of consumer products manufactured for domestic use.

Public expenditure, as a proportion of aggregate domestic expenditure, rose from 21 per cent in 1961 to 25 per cent in 1968. Public investment outlay rose by about 2 per cent during 1968, after falling almost 4 per cent in 1967.

The unforeseen fall in revenues during 1967 changed the expected surplus on current account into a deficit of M$30 million, and development expenditure declined significantly. The higher disbursement of foreign loans nevertheless raised realizable assets by M$41 million.

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[81] The largest such project is the Jengka Triangle Project which is being developed with World Bank assistance. It covers 150,000 acres, of which 111,000 acres will be devoted to palm oil and rubber production.

[82] Under this scheme, smallholders can deliver their latex at collecting stations where an anti-coagulant is added and the latex is sent to newly established heavea crumb rubber factories. The latex is transformed into small crumbs (hevea crumb) which are dried and pressed into blocks which are more easily graded than the unsmoked sheets which still make up 70 per cent of smallholders rubber. Hevea crumb rubber blocks can be exported directly and smallholders will obtain between 4 and 5 cents more for their latex than before.

[83] There exists a statutory requirement that the Malaysian currency should be covered up to 80.59 per cent by gold and foreign assets. At present the coverage is around 125 per cent. The statutory limit does, however, set a floor to the use of external assets.

During 1968 revenues fell very slightly below estimates. Expenditure, however, increased from an estimated M$1,882 million to M$1,957 million and converted a budgeted surplus on current account into an actual deficit of M$75 million. Development expenditure, although slightly higher than during 1967, fell far short of estimates due to a shortage of foreign funds in appropriate form. Gross foreign borrowing was only M$91 million against an expected M$200 million and consequently greater reliance had to be placed on domestic borrowings.

With the expected improvement in exports, public revenues during 1969 are estimated to increase by about M$73 million to M$1,948 million, permitting a small surplus of M$23 million on the current account. After taking account of new taxes and the special grants to East Malaysia, a surplus of M$5 million is expected. An increase of development expenditure by about 14 per cent over 1968 is thus thought possible. The overall deficit at about M$660 would be about the same as in 1968. A very large increase in foreign borrowings is expected—from M$91 million in 1968 to M$298 million—reducing the need for domestic borrowings from M$526 million during 1968 to only M$350 million.

Ever since independence, Malaysia has raised resources through the budget with much success. The share of direct taxes was raised although the growing reliance on excise taxes is now working in the inverse sense.

Considering the future role of the public sector in Malaysia's development, the official view that the level of taxation out of the given income is near its optimum is of great importance. Even if the public sector will continue to limit itself to the provision of infrastructure and incentives to private enterprise it may have to sharpen the thrust and direction of its development policy. The operation in Malaysia of a large sector of foreign-owned corporations may in fact impose on the Government larger tasks in matters of development and stabilization than would be necessary in its absence.

In 1967, the Government's spending programme seems to have contributed greatly to the stabilization of incomes at a time of sharply falling export prices. But current expenditure has been growing faster than current revenue on the average of recent years and the public sector current surplus has been on the decline since 1966. Current expenditure has risen faster than development expenditure. There thus arises the question whether development expenditure could not be further isolated from the behaviour of revenue and whether there could not be a stronger attempt to stabilize investment expenditure in both sectors of the economy: the Government's own capital projects as well as the capital formation in the private sector, which tends to vary with exports and which fell short of the target during the first two years of the first plan: Such a policy might demand more foreign borrowing and a somewhat more liberal use of the external reserves. High reserves assure the continued openness of the economy and are attractive to foreign investors, but so are additions to the country's economic capacities. The main impediment to an increase in development expenditure seems to arise from the inability to utilize available lines of foreign credit. In so far as the ties on these funds reduce their flexibility, this might be increased by a complementary use of Malaysia's own reserves. The lack of properly formulated and evaluated development projects and the Government's preoccupation with relatively small projects also represent impediments which can be removed the more rapidly the greater is the effort devoted to the task.

Monetary and credit policy

The money supply, after contracting in 1967 and the early months of 1968, began to rise, particularly towards mid-1968, and was M$1.6 billion by the end of November, or about 5 per cent higher than that of 1967. Fixed and savings deposits went up by 17.5 per cent. Demand deposits increased in importance as the currency component of the money supply declined from about 58 per cent in 1960 to 50 per cent at the end of 1968.

The withdrawal of old Malaysian currency is in its final stage and such currency ceased to be legal tender on 16 January 1969. New Malaysian notes and coins in circulation amounted to $852 million at the end of 1968, up by 14 per cent over the previous year-end. As the Central Bank's reserves of gold and foreign exchange backing this liability amounted to M$1 294 million, the external cover of the currency was well above the reserve requirement of 81 per cent.

With effect from 11 November 1968, Malaysia decided to move to article VIII status of the International Monetary Fund. Financial policies in the past were such that the exchange position of Malaysia was already free from restrictions and the move was merely formalizing a position that has prevailed for many years. It nevertheless will be an important psychological factor in encouraging foreign investors. The move, contemplated for a number of years, probably awaited the new currency issue in 1968.

Much of the banking and credit policy of Malaysia appears to be directed to widening the market for government borrowing from the private sector.

In August 1968, the discount rate for Treasury Bills was differentiated to encourage the holding of bills of longer-term maturity, to discourage the inflow of 'hot' money from abroad and to encourage the conversion of short-term notes into longer maturities.

In October 1968, the reserve requirements of banks were significantly changed. While the minimum reserve of 20 per cent against all deposit liabilities was maintained, commercial banks were required to hold 50 per cent of all savings deposits in the form of housing loans and long-term government obligations.

Total credit extended by commercial banks in the year 1968 (first eleven months) increased by 24 per cent and reached M$1.78 billion compared with an increase of 12½ per cent annually during 1963-1967. Classification by category is not available but it is believed that an increasing proportion of bank credit is being channelled into the manufacturing sector, even though financing of trade and private individuals continues to account for the major share of credits. By June 1968, loans and advances to the manufacturing sector accounted for 15.5 per cent of total commercial banks loans and advances, up from 14.9 per cent in 1967.[84]

To supplement short-term commercial bank financing of the private manufacturing sector, the Government helped to establish the Malaysian Industrial Development Finance Corporation (MIDF) as an institution to provide medium— and long-term industrial financing. At the end of October 1968, the MIDF had approved M$81 million in loans supporting more than 220 projects. Most of its loans have been for the financing of metal and non-metallic mineral products and the wood and rubber processing industries.

Employment

A pressing reason for more intensive development efforts is the employment situation, which is a reflection not only of the high rate of population increases[85] but also of the changing techniques in the production of Malaysia's staple products, agricultural and mineral. The employment situation continued to worsen in 1968. The rate of unemployment in West Malaysia, as a percentage of labour force, was 6.8 per cent compared with 6 per cent in 1962.[86] The highest incidence was in the age groups 15-19 and 20-24, where current unemployment rates were 26 per cent and 14 per cent respectively. In the rural areas, the rate of unemployment was 5.4 per cent compared to 5 per cent in 1962. A survey of six urban areas indicated that the unemployment rate in such areas was 11.2 per cent in 1968 compared with 9.6 per cent in 1962.

The transfer of labour from the surplus region in West Malaysia to the deficit region in East Malaysia was carried out as planned in 1967 and 1968. The official programme is for an annual movement of 1,200 workers[87]. But a significant impact on the employment situation must be sought in speeding up the industrialization and the agricultural cultivation of the country.[88]

The uneven distribution of population and labour between the east and the west of the country is only one facet, important though it may be, of the problem of regional disparities. Recent trends in export commodities have only served to highlight them even further. While the main export products from West Malaysia have tended to stagnate, those from East Malaysia have boomed. Consequently, rates of growth have varied widely. In the periods 1961 to 1965 and 1965 to 1967, West Malaysia grew at 6.6 per cent and 3.9 per cent annually while the comparable rates for Sarawak were 9.2 per cent and 10.5 per cent, and for Sabah, 10.5 per cent and 16.7 per cent.

Pakistan

In the financial year June 1967-July 1968 the national product of Pakistan grew at a pace which reflected strong recovery from the slow progress which agricultural production had made during 1966-67. The rate of growth of GNP was reported as 8.3 per cent,[89] or 8 per cent in the Western Wing and 8.1 per cent in the Eastern Wing.[90] This rate of growth exceeds what was achieved earlier in this decade. In 1966-67, GNP grew at 5.3 per cent and in 1965-66 at 5.7 per cent.

Agricultural production as a whole rose by about 16 per cent, the growth of fibre crops—mainly cotton and jute—being about 9 per cent.

The outstanding advance was made in the production of wheat. Two million acres had been sown with Mexican wheat and the crop rose to 6.3 million tons, an increase of 47 per cent over 1966-67 and of 37 per cent over the previous peak year 1964-65. The target in the annual plan for 1968-69 was thus exceeded by 900 000 tons or 17 per cent; success on the scale actually achieved was obviously unexpected in the middle of 1968.[91] The area under high yielding seeds is to expand further to 6 million acres in 1968-69 and recent reports point to a further increase in wheat production of about 10 per cent, to 7 million tons. The production of rice reached 12.5 million tons,[92] an increase of almost 16 per cent over the preceding year, or of 7 per cent over the peak output in 1964/65. This result fell marginally short of the target set for the year. Given the greater weight of rice in foodgrain production, the increase in the production of both grains was of the order of 25 per cent; if all food crops are included, output grew at 22 per cent. The further expansion of wheat output in 1968/69 seems to ensure progress towards the target of self-sufficiency in foodgrains by 1970. In the meantime foodgrain imports had to continue, at the net level of some 1.8 million tons compared with 2.18 million tons in 1966/67. Taking account of imports of this order the availability of foodgrains per head should have reached higher levels than ever before. Whether these levels can be maintained, let alone bettered, with declining imports, will depend on sustained progress in production. The extent to which the recent good crops reflect new techniques rather than favourable weather cannot be determined with certainty. The rate of growth of rice production remains the crucial variable in agricultural as well as general economic progress.

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[84] *Mid-Term Review of the First Malaysia Plan 1966-1970*, p. 80.

[85] Family planning is given prominence in the plan and a National Family Planning Board (NFPB) established in 1966 started functioning in May 1967. Since the census year of 1957, there has been a decline in the rate of natural increase, from 3.38 per cent to 2.97 per cent due to a faster decline in the birth rate than in the death rate, partly attributable to the urbanization which has taken place with urban women wanting fewer children.

The targets of the NFPB are to reduce the rate of population growth to 2.8 per cent by 1970, 2.5 per cent by 1975 and 2.2 per cent by 1980. Family planning is carried out as part of the health facilities being offered and is generally conducted from existing health centres.

Comparing targets with accomplishments, the target of 3 per cent acceptance among women of child-bearing age for 1967 was accomplished by 90.3 per cent, whereas by mid-1968 52.2 per cent of the target of 5 per cent had already accepted one or the other measure through the programme.

[86] Preliminary data, based on a sample survey conducted in June 1967-May 1968 and quoted in the budget for 1969.

[87] This amounts to about 0.6 per cent of the unemployed in West Malaysia and to 0.2 per cent of the labour force in East Malaysia. The return flow of labour is unknown.

[88] Government of Malaysia, *The 1969 Budget*, p. 50.

[89] Government of Pakistan, Ministry of Finance, *The Budget, 1968/69*.

[90] Planning and Development Board, Government of West Pakistan, *Economic Outlook for West Pakistan, 1968/69*, June 1968; Report by the Information Minister of Pakistan on inter-regional and intra-regional disparities, reported in *Dawn*, 15 December 1968.

[91] Government of Pakistan, Planning Commission, *Annual Plan 1968/69*, June 1968, p. 37.

The different behaviour of wheat and rice is also seen in the development of prices. The sharp increases in the price of wheat in the Western Wing and of rice in the Eastern Wing in 1966/67 were partly reversed in the following year, wheat in the West falling by 11.6 per cent and rice in the East by 11.9 per cent. But while the wheat price in the West declined further during 1968, the price of rice in the East tended to increase again and in December 1968 was marginally higher than in the preceding December.[93]

While the wholesale prices of food were thus brought down by 4 per cent in 1967/68 after an increase of 14 per cent in the preceding year, the guaranteed or minimum procurement prices for grains have remained at the high levels at which they were set in the year of shortage 1966/67; the support price of Basmati rice which Pakistan exports was raised between 1966/67 and 1968/69 by about one third. Wheat and paddy prices are being supported at 17 rupees per maund which, in the case of wheat, is about double the international price calculated at the present rate of exchange. In addition, a variety of agricultural inputs are sold at subsidized prices, the subsidies being generally higher for the Eastern than for the Western Wing (e.g., 35 per cent of the price of fertilizer in the West but 50 per cent in the East). For wheat, the support prices became effective in 1968 and the Government may have had to purchase about 1.5 million tons. As Pakistan approaches the stage of self-sufficiency, and as certain types of grain appear in surplus over domestic consumption, the question of the relative profitability of expanding foodgrain production cannot be evaded.

Industrial output, measured by the index of industrial production, rose by just over 10 per cent in 1967/68, a slightly lower rate than in the preceding year. The index of manufacturing production rose by about the same percentage.[94] Large-scale industry did rather better than the average of manufacturing, largely because of the revival of jute manufacturing; other large-scale industry, based in the Western Wing, appears to have lagged behind general manufacturing growth. The cotton insustry, in particular, appears to have grown only slightly—and did not speed up in the remaining months of 1968 — even though exports of cotton manufactures and raw cotton rose steeply by comparison with 1966/67. Generally, it appears that manufacturing growth sagged during the calendar year 1968.

Foreign trade

Pakistan's exports rose by 9 per cent in 1967/68 and their growth speeded up in the remainder of 1968.[95] While exports of raw jute declined somewhat in value, the revenue from jute manufactures, raw cotton, cotton fabrics and the newer export products all increased significantly. The reduction in the share of raw jute led to a decline in the index of quantity of exports.

Imports, on the other hand, declined in value in 1967/68 but rose as the year went on and continued to rise till the last months of 1968. In particular, the quantity of machinery and transport equipment imports appears to have risen. The balance of trade improved markedly, and brought a more modest improvement to the balance of payments, which is increasingly burdened with debt service obligations (amounting in 1967/68 to 16 per cent of gross earnings from visible and invisible exports).

Pakistan's export policy remained substantially unaltered and the prices of export bonus vouchers were maintained approximately unchanged. The major changes in foreign trade policy occurred on the side of imports. The growing scarcity of foreign exchange and the declining prospects of foreign assistance led to a return to restrictive import policies in the second half of 1967. This was followed by renewed liberalization from licensing controls in the first half of 1968, but also by the creation of a new category of imports—know as 'cash-cum-bonus'—to which were transferred commodities hitherto imported at the lower official exchange rate, as well as a number of commodities hitherto importable only under the bonus voucher scheme. One half of the value of cash-cum-bonus imports has to be paid in bonus vouchers, commanding in 1968 a premium of about 160 per cent over the official rate of exchange. This partial increase in the rupee rate for foreign exchange was extended in the second half of 1968 to public sector imports of the specified commodities. The transition to the new three-tiered exchange rate—with potential flexibility of the rate in two of the markets—could be accompanied by a relaxation of licensing restrictions on imports of materials and spares for production.

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[92] State Bank of Pakistan, *Annual Report 1967/68*, September 1968.

[93] The price index of wheat in the Western Wing declined between December 1967 and December 1968 from 162 to 137 (1959/60 = 100), while that of rice in the Eastern Wing rose from 119 to 122. (Government of Pakistan, Economic Affairs Division, Central Statistical Office, *Pakistan's Key Economic Indicators*, vol. 3, No. 1, January 1969.

[94] Measured in terms of value added, manufacturing increased by 8 per cent, again marginally less than in the preceding year.

[95] See tables II-1-2 and II-1-3 of this *Survey*.

Use of resources

Total investment, taken as a proportion of GNP, recovered in 1967/68 from its decline during the preceding two years.

Investment by the different sectors follows the same path: the investment by the private sector, as a proportion of GNP, almost recovered in 1967/68 to the level of 1964/65 (7.3 per cent as against 7.6 per cent), the large-size component of the private sector showing a similar upward movement. The total public development outlay, which includes certain non-investment expenditures, also recovered to a percentage of GNP equal to that of private investment.

The great and surprisingly successful tax effort, made at the beginning of the third plan (1966) could not preserve its impetus in the following years. The ratio of taxation to GNP remains at about 9 per cent. The relative growth of agricultural incomes protected by guaranteed prices and subsidies on inputs, reduces the scope for resource mobilization by the old methods. The immediate suggestions are confined to the withdrawal of subsidies (and presumably also the reduction in guaranteed prices) and increases in the prices of inputs.[96] Failing the possibility of a direct fiscal attack on profits these basically inefficient means may be unavoidable; given the need to maintain or increase certain outputs the method is also uncertain because in its conflict with other objectives it is likely to become regularly the victim of compromises. It must, therefore, be hoped that the recently appointed committee on agricultural taxation (autumn 1968) will be able to present administratively and politically feasible ways of transferring part of the producers' surplus rather than raising input prices or denying to economic policy the use of price policies which can be relied on to influence producers' decisions in circumstances of weak economic controls.

The savings ratio also suffered a setback during 1965/66 from which it only recovered markedly in 1967/68, rising to almost 15 per cent. The marginal savings ratio, which was estimated to have averaged about 20 per cent in the years 1960/61-1964/65, appears to have been negative in 1965/66, after which it is estimated to have recovered to about 5 per cent in 1966/67 and to 28 per cent in 1967/68. On the average of recent years, the savings ratio and the marginal savings ratio—about both of which there appears to be some understandable uncertainty—have been disappointingly low.[97]

The reasons for lagging savings are presumably to be found in a combination of factors, some of which continue to operate. High savings ratios characterize periods of rapidly increasing growth rates of income. When crops recovered in 1967/68 the rural sector obtained a considerable access of income through higher quantities and high prices, and rural savings are difficult to measure. Urban and perhaps also rural savings were set back by relatively poor crops in 1966/1967. The defence expenditures of 1965/66 and later years pressed on government revenues. The declining availability of foreign aid, in actual disbursements and in commitments for the future, is likely to have depressed savings by reducing the foreign means for investment, and possibly also the incentive to invest.

The decline in aid receipts, and especially in commitments,[98] is reflected in the declining ratio of foreign resources to total fixed investment—41 per cent in 1964/65 but only 34 per cent in 1967/68—and in the declining ratio of foreign assistance to GNP—from about 7 to about 5 per cent between these years.

The impact of the reduced receipts or expectations of lower future receipts motivated a revision of the third five-year plan and a certain measure of retreat from the liberalization of imports and of investment controls.[99] The restrictions imposed on imports maintained, however, the system of dual pricing, at the cost of some new complications. The changes introduced into Pakistan's investment schedule, by which industrial investment is controlled, increased the number of projects for which specific permission had to be sought from various authorities. The plan underwent in 1967 a change of principle by giving priority to quick yielding investment projects and, generally, to a fuller utilization and balancing of existing plant. It is difficult to say to what extent the re-ordering of priorites has affected the distribution of investment but further direction was given to it through import controls, when the import of machines for the production of certain consumer goods was banned in November 1968. The graduated tax on excess capacity in industrial establishments, introduced in 1968, added novel incentives to fuller utilization of installed capacity.

The direction of policy

Pakistan's development, and particularly its industrial development, during the first half of this decade was able to rely on relatively large infusions of foreign resources. While the growth of exports and of agriculture reduced its dependence on foreign aid the decline in this was unforeseen. Development expenditure and investment at large had to be reduced in 1965/66, as a result of the hostilities with India and the suspension of aid.[100] The subsequent increase of development expenditure and of general investment was bound to result in strains. Agriculture and exports have so far prevented those strains from becoming intolerable; the actual level of assistance disbursements after the suspension of aid provided support and the management of the economy during these years appears to have been skilful on the whole. Aid prospects, however, have worsened once again and savings have made only a very belated recovery. The decision to reduce Pakistan's dependence on external assistance is thus dictated by actual prospects. The disparity between incomes in the two Wings, which is growing in absolute terms, though in a lessening proportion, the increasing inequality of the distribution of income, and presumably also a certain loss of control over the composition of investment and outputs as well as a loss of fiscal control over income due to the relative growth of agriculture present major factors entering into the formulation of development policy under the fourth five-year plan (1970-1975). The proposed objectives of the plan include, as cogent answers to some of the problems of the future, an industrialization policy that will put emphasis on the domestic production of intermediate and investment goods. It also implies restraint on the expansion of consumer goods industries which will, it seems, be limited to the fuller utilization of installed capacity and its balancing and modernization. This aim will obviously only be achieved through a stricter control over consumption, especially of imported goods such as have often been regarded as an indispensable adjunct to the export incentives offered by the bonus voucher scheme. The proposal of plan objectives accordingly argues for greater austerity and a sharp increase in the marginal savings rate.

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[96] Government of Pakistan, Planning Commission, *Socio-Economic Objectives of the Fourth Five Year Plan (1970-1975)*, November 1968.

[97] Cf. savings estimates in: Government of Pakistan, Planning Commission, *Final Evaluation of the Second Five Year Plan 1960-1965*), December 1966; *Evaluation of the First Year 1965/66) of the Third Five Year Plan* (*1965-1970*), May 1967; and *The Mid-Plan Review of the Third Five Year Plan*, April 1968.

[98] See part II, chapter 2 of this *Survey*.

[99] See part I B, chapter 3 of this *Survey*.

In its broad terms, the proposal appears to reverse directions which Pakistan development policy took earlier in the 1960s. This reversal follows logically from the need to meet wider social objectives, through investment in areas of production and regions of the country in which the private sector has shown insufficient interest, with a smaller foreign contribution. It seems to follow from the proposed objectives that Pakistan will have to develop new but certainly stricter forms of control over consumption and investment. Its ability to do so in practice, after a considerable period of liberalization, appears as one of the critical questions about its economic progress and social cohesion in the next few years.

Philippines

National income

On the basis of provisional figures for the first three quarters, gross national product at 1955 prices in calendar year 1968 is estimated at P 17.6 billion, or 6.3 per cent above the 1967 figure. This growth rate is higher than in the preceding three years — 6 per cent, 6 per cent and 5.5 per cent in 1967, 1966 and 1965, respectively.

The rate broadly agrees with the target of the four year plan, but the other targets of the plan are unfulfilled and the composition of GNP differs from the plan projection.

Growth in agriculture was faster than in GNP: 8.9 per cent, compared with an average growth rate of 7 per cent in the three preceding years. Mining continued to grow fast, at 11.6 per cent which is about the same as the average growth rate of 11.9 per cent for the preceding three years, but lower than the 1967 growth rate of 14.3 per cent.[101]

Agriculture

While agricultural growth dominated the growth of GNP, it was itself dominated by rice and corn production. Major export crops such as sugar and copra suffered as a consequence of severe typhoons toward the end of 1967.

Preliminary estimates for the crop year ending 31 July, 1968 show rice production to have increased by 6.6 per cent to 4.4 million tons, compared to an increase of 0.5 per cent only in the preceding year. Corn production rose by 5.7 per cent to 1.5 million tons, also up from the 4.0 per cent increase recorded in the previous year. Other food products showing sizable increases in 1968 are peanuts, meat and poultry products and fish, while beans and vegetables and rootcrops registered minor declines.[102]

The success in rice production made the Philippines self-sufficient in rice in 1968. Previously, rice was imported, 175,000 tons at a cost of $81 million in 1967 and of $52.8 million in 1966.[103]

Self-sufficiency was made possible by an unprecedented total paddy output of 4.8 million metric tons in 1968, or 11.4 per cent above the pevious year's figure. The area under rice rose by 7.2 per cent over the previous year while average yield rose 3.9 per cent. In 1968, the Philippines exported 36,500 tons of locally grown rice to India and Indonesia but prospects for exportable surpluses in 1969 were poor because of a severe typhoon and drought which damaged the first crop of the 1968-69 crop year, harvested in September of 1968. As a result, no international contracts or commitments have been made for 1969 but no import of rice is foreseen. During 1968, bufferstocks were maintained at roughly 10 per cent of the estimated annual food consumption.[104]

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[100] Total investment expenditure declined between 1964/65 and *1965/66* from 9,100 million rupees to 6,800 million rupees. By 1966/67 it had recovered to the higher level and the target for 1968/69 is 11,000 million rupees.

[101] Office of Statistical Coordination and Standards, National Economic Council. Quoted in *The Economic Monitor*, 27 January 1969, p. 7.

[102] *Central Bank News Digest*, 22 October 1968.

[103] The Economist Intelligence Unit, *The Philippines*, No. 3, 1968.

To a large extent, the success of the rice programme must be attributed to the various new high yielding seed varieties planted over a wider area than before. Reports on the 1968 rice harvest show a total of 301,000 ha to have been planted with IR.8, BPI-76-1 and C-18 seed, giving an average yield of 77 sacks/ha. The average yield of other standard varieties of seeds is 47 sacks and of non-standard varieties, 35 sacks.[105] The expansion of new varieties must, in its turn, be attributed to factors of agricultural policy, such as the price support programme, better credit facilities, fertilizer distribution and increased government spending on the control of rats which damaged an estimated P 37 million worth of the rice crop during 1966/67.

In 1966, the newly established Rice and Corn Production Coordinating Coucil (RCPCC) formulated a four year rice production programme leading to self-sufficiency in 1968/69. The price support programme is the main means for achieving this end. Farmers with an annual production of 100 sacks[106] can sell their paddy to RCA or designated private warehouses at a minimum support price of P 16/sack. Farmers producing more than 100 sacks are entitled to the support price for 30 per cent of their excess production as well. For corn the guaranteed price per sack of 56 kg is P 13. During the second half of 1968 the question arose whether funds and storage facilities would be sufficient to allow the Government to continue buying large quantities at the support price. Rice stocks were building up while export markets were just being explored. Large importers of rice, such as Ceylon, India and Indonesia, all reported bumper crops of rice in 1968. It seems doubtful whether the Philippines can expand its rice exports significantly. The support scheme may thus have run into the same kind of difficulty that besets such policies in other Asian countries as well.[107]

To improve the access of farmers to institutional credit, the Agricultural Guarantee and Loan Fund was established to guarantee lending institutions against losses on 70 per cent of any loan made to farmers or tenants without collateral.

As distinct from these measures of subsidy, fertilizers were released from price control and its distribution liberalized. Private dealers have taken over the distribution of fertilizers and the bottleneck of distribution seems to have been eliminated. The same is true of pesticides which are now being sold freely at market prices rather than distributed gratis to the farmers.

The Government's investment helps agriculture directly through the construction of roads, irrigation facilities, warehouses and drying facilities and by way of certified seed production and soil management surveys.

The disappointing performance of export crops was not wholly due to temporary factors. During crop year 1967/68 copra production went down by 9 per cent, sugar production by 1.7 per cent and manufactured abaca by 14 per cent. Only tobacco went up, by 22 per cent. Logs and lumber production also increased significantly; but such increases will not be sustained, owing to an increased awareness of the need to conserve forest resources.[108]

For the third consecutive year, the Philippines was unable to fill more than its basic quota of 1.13 million tons of sugar in the United States market. A crash programme of investments in sugar mills and assistance to farmers has been adopted to raise sugar production to 2.6 million tons by crop year 1971/72.

Copra production is also to be assisted through better credit facilities.

Logging activities, on the other hand, will come under increasing restrictions. Under existing forestry regulations, timber licenses are only allowed to cut each year an amount of timber equal to estimated new growth and they are required to reforest at their own expense. Logging concessionaires are bound, under licence, to install and operate sawmills and wood processing plants within two years from the award of the concession.

Industry and mining

Production of minerals rose by 11.5 per cent in the first half of 1968 over the same period in 1967. Production of copper, an important export commodity to the United States, showed a spectacular increase by 34.4 per cent in response to export prices which had been raised by the Viet-Nam war and the prolonged copper strike in the United States. Production of silver, quicksilver and zinc also recorded higher outputs, but iron production declined owing mainly to competition from South America and Australia in the market of Japan, the sole buyer. Chromite and manganese production also declined.

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[104] From the Statement made by the Delegates for the Philippines to the 13th session of the FAO. Study Group on Rice, Manila, March 1969.

[105] Information supplied by OSCAS, NEC.

[106] One sack-46 kg.

[107] It was reported in October 1968, for instance, that farmers in the Cotabato area are suffering from prices much below the government support price and are urging the Government to extend credit to REA to purchase excess stocks. At the start of the regular harvest, wet paddy price was P 10/sack. The Government does not purchase wet rice and farmers lack dryer facilities. *Central Bank News Digest*, 1 October 1968.

[108] *Central Bank News Digest*, 22 October 1968.

Minerals, and especially nickel and cobalt, will continue to increase in importance as large development projects are under way.

Manufacturing production in the first half of 1968 increased by 6.1 per cent in spite of credit restraint. This compares favourably with the rate of 3.6 per cent for the whole of 1967.[109]

Production of non-durable manufactures increased by 6.7 per cent, and of durables by 4.1 per cent. During 1967, non-durables rose by only 2.8 per cent but durables by 6.8 per cent.

Despite the tight monetary policy, construction activity, measured by building permits, rose by 15.1 per cent in the first six months of 1968 over the first half of 1967. Electric power generation during the first six months of the year also grew, although at a lesser rate than in 1967.

Industrial production will receive considerable support from the Investment Incentives Act introduced in September 1967. This, which is not the first attempt at attracting capital to industry, offers more liberal tax exemptions than earlier schemes, assures foreign investors of the right to remit earnings and dividends, repayments of loans and payments of technical services as well as repatriation of alien capital in the original currency at the prevailing rate of exchange.[110] The facilities offered by the new law are by no means limited to foreign capital. Serveral industries are reserved for local capital, and the law is as much intended to lure domestic capital out of hiding as it is to attract foreign capital. The Board of Investment was created to implement the programme and has drawn up an investment priority plan, consisting of projects in agriculture, mining and manufacturing. Industries may be classified as "preferred pioneer" or "preferred non-pioneer". The former enjoy larger privileges.

Towards the end of 1968, 101 firms had applied for registration under the Act, about sixty-five in manufacturing and thirteen in the mining sector.[111] They include the Iligan Integrated Steel Mills project, the first integrated steel mill in the Philippines which is to start production in 1969, and an integrated aluminium smelting plant, the first of its kind in the Philippines which is expected to start operations by 1972, producing 34,000 tons of aluminium ingots.

While there is at present an estimated 15 per cent of excess capacity in the cement industry, the government roadbuilding programme and expanding construction activities are attracting West German firms to finance an additional 725,000 tons of annual capacity.

Such developments in basic industry agree with the policy objective, which also found expression in the four year plan, to shift emphasis from consumer-goods industries to basic industries. Fiscal policies and commercial policies to encourage industrial development are supplemented by credits and by guarantees given by the Development Bank of the Philippines for short-term foreign loans as working capital for textile mills and other industries whose need for liquid funds is in part the result of government policy.

Trade and the balance of payments

In 1967, for the first time since the exchange reform of 1962, difficulties were met in balancing external payments. As table II-3-5 shows exports declined for the first time since 1961. The decline was only by 2 per cent, but it was accompanied by a burst of imports which rose by 23.6 per cent to $1 054 million against exports of $812 million. The trade deficit of $241.7 million was the largest since 1949.[112] In the face of capital outflows and a general lack of confidence in the strength of the peso the Central Bank had to resort to large short-term borrowing from American and European commercial banks. Its short-term foreign exchange liabilities rose by $111 million. The payments position would have been even worse but for increases in United States Government spending on military purposes and pensions to Filipino war veterans, rising from $98 million in 1966[113] to $66 million in 1967. The main inflow of long-term capital took the form of a drawing of $27.5 million from the IMF which insisted, together with the United Stated States creditor banks, on fical restraint as a condition for further drawings.

The pressure on the peso was particularly noticeable in the second half of 1967 owing to heavy demands built up by advances to government financial institutions. In order to stabilize the exchange rate, the Central Bank, which had been a net purchaser of $44 million of foreign exchange in 1966 became a net seller of $73 million.[114]

The decline in exports was due chiefly to contractions of volume. The net terms of trade did in fact improve slightly. Among the major exports, only sugar increased in value in 1967. Exports of coconut oil declined by 22 per cent. Apart from the effect of typhoons, the decline in coconut exports must also be attributed to less temporary factors, such as improvements in the production of petrochemical substitutes and competition of African palm oil in the European Economic Community (EEC). In July 1967, the EEC imposed a discriminatory tariff on coconut-oil imports, amounting to 10 per cent on those to be used for food and 5 per cent on those for other purposes. Most of the Philippine crude coconut oil is refined in the Federal Republic of Germany for edible consumption. Exports of coconut oil to countries other than the United States, that is mainly to western Europe, dropped from 68,487 tons in 1966 to 34,000 tons in 1967.[115]

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[109] *Central Bank, Statistical Bulletin*, March 1968 *Central bank News Digest*, 22 October 1968 and 3 January 1969.

[110] The act also guarantees foreign capital protection from arbitrary seizure and expropriation without just compensation.

[111] The latest figures show that eighteen of the twenty-two approved proposals are in manufacturing, involving a combined capital of P 1.3 billion. Foreign participation is estimated to be only 5 per cent, (*Manila Times*, 24 October 1968). Among the important firms applying for registration are six coconut oil and integrated coconut-processing plants, six plywood plants, four pulp and paper plants, three aluminum smelting and three iron and steel plants.

[112] Central Bank, *Statistical Bulletin*, March 1968.

[113] IMF, *Banance of Payments Yearbook*, vol. 20;
The Economist Intelligence Unit (EIU), The Philippines, 1968, No. 3.

[114] Central Bank, *Annual Report, 1967.*

In January, 1969 the EEC imposed countervailing duties of $60 per ton on all oils except olive oil and of $30 on meal. The tax on oil is also applied to oils crushed in Europe and thus falls on Philippine copra. It may be levied over and above the rate of 10 per cent *ad valorem* at which the EEC tariff taxes coconut oil. The earlier proposal, emanating from the Federal Republic of Germany, to establish a duty-free quota of 30,000 tons of coconut oil from third countries, including the Philippines and Ceylon, appears to have been blocked.[116]

Abaca exports continued to decline. Synthetic substitutes, the competition from sisal and henequen and the disposal by the United States of its abaca stockpile contributed to the decline.

The flood of imports in 1967 extended over almost all categories and was not stemmed by the tightening of credits in June and September of 1967. While reparations payments covered large imports of road construction equipment on government account, the large imports of rice—later proved in excess of requirements—fell on the foreign exchange resources.

In the first nine months of 1968 exports rose by 5.6 per cent to $625.4 million. Imports, however, also rose, by 8 per cent to $865.4 million. The trade deficit of $240 million was in fact larger than the deficit of $209.5 million in the first nine months of 1967.[117]

The improvement of exports was mainly due to an improvement in prices; volume contracted. Prices of sugar, logs and lumber plywood and copper concentrates rose. The export of logs and lumber which rose by 7 per cent in the first half of 1968 may in the second half have suffered from the ban on exports from watershed areas and from a better enforcement of forest conservation laws.[118]

While the value of sugar exports rose by 8 per cent, only the basic quota of 1.126 million tons could be shipped to the United States, involving for the third consecutive year a loss of potential export earnings. The Philippines had to give up an increasing share of the Puerto Rican quota, 100,00 tons in 1966, 200,000 tons in 1967 and 290,000 tons in 1968. Apart from

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[115] Central Bank, *Statistical Bulletin*, March 1968.

[116] *Central Bank News Digest*, 17 September, 6 August, 26 November 1968, and 21 January 1969.

[117] *Central Bank News Digest*, 3 January 1969. Coming from a different source, these figures differ somewhat from those presented by the IMF and reproduced in table II-3-5.

[118] See part I for a fuller discussion of log exports.

Table II-3-5. Balance of payments of the Philippines, 1966-first half 1968

(In million dollars)

Item	1966	1967	First half 1967	First half 1968[a]
A. Merchandise trade				
Exports f.o.b.	854	829	394	432
Imports f.o.b.	-853	-1,062	-511	-547
Trade balance	1	-233	-117	-115
B. Services and unrequited transfers (excluding grants)				
Total	124	126	63	-33
C. Official grants received and non-monetary long-term capital	33	60	25	17
Total	22	57	13	24
D. Total (A—C)	147	-50	-41	-124
E. Private short-term capital and net errors and omissions				
Private capital	-17	12	-24	36
Net errors and omissions	-62	-26	18	50
Total	-79	-14	-6	86
F. Total (D + E)	68	-64	-47	-38
G. Monetary movements				
Total	-68	64	47	38

Source: International Monetary Fund, *Balance of Payments Yearbook*, vol. XX.

[a] Preliminary.

the loss in foreign exchange income, this underfulfilment may jeopardize the Philippines' position in 1971, when the United States Sugar Act is due for renewal, and may leave it with only its basic quota which itself is due for renegotiation in 1974. Even the basic quota shipment was only filled with difficulty. The domestic price of P 25 was maintained artificially through an agreement between producers and traders.

The value of coconut product exports increased, even though earnings from copra declined due to a contraction in volume. Exports of coconut oil rose due to an improvement in prices as well as an expansion in volume. Abaca exports continued their decline.

A bill to encourage exports through tax deductions on operating expenses, accelerated depreciation and tax credits on raw materials is before Congress. Export outlets for some of the essential commodities, such as coconut oil, may also be expanded through the fostering of new directions of trade, including the markets of eastern Europe.

The balance of payments continued to be in difficulties in the first half of the year. To restrain imports, measures introduced in June 1968 provided for increases of at least 25 per cent in cash deposit requirements for the opening of all letters of credit.[119] These measures were to save $150 million in imports but their effect was not yet observable in the later months of the year. Imports in the third quarter increased by 14 per cent over the previous quarter.[120]

Early in 1968, the Philippines borrowed from the IMF to the full extent of its credit tranche of $27.5 million. In March 1968, an agreement was concluded entitling the Philippines to draw during the year its second credit tranche of $27.5 million. The agreements with the IMF apparently bolstered foreign confidence and in September 1968, a consortium of twenty-three United States banks granted credits of $161.5 million. One half is be used to convert short-term debt into four year obligations, a conversion that had become essential in view of the state of reserves.[121]

The continued reliance on short-term loans increases the vulnerability of the external reserves. These had declined from $225.7 million, of which $41.5 million were holdings by commercial banks, to $163.7 million on 25 September 1968, when commercial banks had net obligations of $5 million. To counteract the decline in commercial banks reserves the Central Bank, in October 1968, increased the foreign exchange borrowings ceiling of commercial banks from $1 million to $2.5 million and allowed them to exchange their dollar borrowings for pesos up to P 2 million. A gradual relaxation of credit restrictions on imports of essential producer goods was to halve cash deposit requirements from 50 per cent by December 1968. The high level at which imports continued in the third quarter of 1968 raised the possiblility of import controls. Restrictions were placed on dollar outflow on account of invisible imports, and Philippine citizens were required to repatriate earnings held abroad. It is estimated that the 16,000 Filipino technicians and workers in United States establishments in the Pacific will remit about $100 million annually to the country. By the end of November 1968 the reserves had improved slightly.

Monetary and fiscal developments

As table II-3-6 shows, prices throughout 1968 declined below the level of 1967. The restrictive policies of the Central Bank, the mounting production of rice and high levels of imports in 1967 and 1968 must explain this decline. That prices could decline in spite of the vigorous expansionary fiscal policies by which the Government financed its infrastructure programme is evidence of the partial success of government policy. Lacking stronger fiscal powers, the success had to be partial and could not, so far, reconcile domestic price stability and domestic development expenditures with external balance.

Comparing an average of monthly price indices for 1967 and 1968, the consumer price index is found to have increased very slightly: a considerable improvement over its rise by 5.4 per cent during 1967. Only food prices declined (by 2 per cent) in 1968, after an increase by 8 per cent in the previous year. Clothing in 1968 registered a lower price increase than in 1967, but all other items, especially housing, rose more in 1968 than in 1967. The overall decline in prices in 1968 is thus heavily influenced by the decline in food prices, mainly of rice.

The continued upward tendency in prices of items other than food can be traced to the expansionary fiscal policies pursued by the Government for the fourth consecutive year. Preliminary figures indicate a net budget deficit of P 180 million at the end of 1968.[122]

The infrastructure programme of the administration has amounted in the last three years to P 2 billion. It provides long-needed repairs and additions to the roads, school buildings, irrigation works and other infrastructural projects which were overdue. However, the failure of Congress to pass most of the tax reform measures introduced at the beginning of 1968, has necessitated great increases to government borrowings, internal and external. The prospects for 1969 are no better in this respect. While tax measures are continually defeated and revenues are not likely to increase markedly, government spending is likely to be stepped up. Congress has cut down on fiscal year 1968/69 spending from P 3,013 million to P 2,896 million (P2,624 million current and P 272 million capital). After congressional cuts the expenditure plans for 1969 are still P 183 million higher than in 1968 and involve an estimated deficit of P 371 million.

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[119] The margins are 50 per cent for essential producer and consumer goods, 75 per cent for semi-essential producer goods, 100 per cent for non-essential producer goods and semi-essential consumer goods and 175 per cent for non-essential consumer goods and unclassified items.

[120] IMF, *International Financial Statistics*, February 1969.

[121] European sources are being tapped to restructure the national debt. The Development Bank of the Philippines is tapping the Euro-dollar market for loans amounting to S66 million at 7.75 per cent interest for ten years while the Central Bank negotiated the rescheduling of $81 million loans. *Central Bank News Digest*, 1 October 1968.

[122] Total operating disbursements for the first eleven months of the year were P 3,808.1 million, up by P 179.5 million over disbursements in the corresponding 1967 period, while operating receipts amounted to only P 3,710.3 million, or P. 88.4 million higher than the previous year. *The Economic Monitor*, 30 December 1968.

The presidential tax programme for 1968 asked for additional revenues of over one billion pesos. It included proposals to raise the income of the general fund by revisions of rates of income tax on individuals and corporations, taxes on distilled spirits and on petroleum and measures to improve tax collection and assessment. Special Fund proposals — for specific taxes earmarked for specific funds or uses — included a levy on persons and corporations, tobacco taxes, a tax on idle lands, surcharges on selected direct and indirect taxes, a tax on milled products, on foreign acquisitions, on the exports of logs and molasses and the removal of various tax exemptions.

By August 1968, only a few of these measures had passed both Houses of Congress. Their estimated yield is P 277.6 million. In an effort to speed up further approvals, the Government has shifted its emphasis to a few tax measures which are judged likely to pass Congress and to yield total revenues of approximately P 500 million. Taxes on logs and molasses, on idle lands and several other taxes have been rejected by Congress.

Monetary policy was expansionary throughout 1966 and throughout the first half of 1968. It became restrictive in June and October 1967, when the reserve requirements of commercial banks and the rediscount rate of the Central Bank were raised and other measures were adopted to reduce imports. The policy was designed not only to restrict monetary expansion but also to redirect credits from import financing to domestic production and production for exports. Imports, the volume of credit and money supply nevertheless all went up together; money supply by 12.3 per cent, to P 3,782.5 million. The continuation of restrictive policies in 1968 brought the money supply down by October 1968 to P 3,586.5 million, 5 per cent below its level at the end of 1967.

Problems of 1969

The broad problems facing the economy and the economic policy of the Philippines are compounded of familiar elements operating not so much in a new combination as, rather, with greater intensity. In 1968, prices were kept stable but the balance of payments deficit is unlikely to have been much reduced. The objectives of economic management were thus only achieved in part, and sharper cuts in imports which would have been bound to affect at least industrial production in 1969 could only be avoided by short-term borrowing or by longer-term borrowing on commerial terms. Development expenditures by the Government ("cash releases") continued to fall short of the targets of the fiscal plan except in the work on highways, preliminary engineering and school building. Waterworks, power development and irrigation—all of them major items of expenditure in the fiscal plan—received half or less of the planned allocations.[123]

The government's determined efforts to develop the general facilities of the economy must apparently rely largely on deficit financing and short-term borrowing, two sources which the policies of the lenders make mutually incompatible. Sufficient increases in tax revenue are denied to the Government by Congress. In these circumstances, the Government must place heavy reliance on the instruments of monetary policy, and the uncertainty of this instrument is presumably illustrated by the slow response of expenditures on imports. After self-sufficiency has been attained in rice no further import saving can be expected from

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[123] Answers to an ECAFE questionnaire, 1968.

Table II-3-6. Price indices in the Philippines (Manila): December 1967 and 1968

(Base 1957 = 100)

Item	Year and figures		Percentage change
	December 1968	December 1967	
Consumer price index	152.9	159.1	-3.9
General wholesale price index	158.4	163.3	-3.0
Wholesale price index of export products	206.8	222.4	-7.0
Wholesale price index of imported products	152.7	152.1	.4
Wholesale price of home consumption products	155.1	157.2	-1.3
Retail price index for selected commodities	178.6	194.0	-6.9

Source: Economic Monitor, 27 January 1969.

that source. Exports of rice will be difficult in 1969 and may become more so as other countries become self-sufficient. A stronger dose of deflation to cure the balance of payments deficit may constrict domestic activity, especially in manufacturing. While the strong aversion against quantitative controls prevails and sufficient increases in taxes are barred by Congress, the Government's development policy is bound to be severely hemmed in by the need to maintain the private sector active.

Relief might, of course, come from a recovery of exports, and the Government's efforts to increase the supply of sugar and of coconut products has that aim. Insufficient supplies of these staples prevented the Philippines from taking full advantage of the preferences offered by the United States and from generally good prices for coconut products. In the longer run, however, sugar and coconut exports have uncertain prospects. The diversification of exports and the general development of the economy thus become urgent requirements, but the pace at which these can be met depends on the ability of the Government to allocate resources. The peculiar constraints on economic policy in the Philippines cause this ability—and with it also the growth of the economy in the longer run—to depend to an unnecessary extent on export incomes and the policy preferences of the international money market.

Thailand

In 1968, gross domestic product in real terms rose according to a strictly preliminary estimate by 6 per cent,[124] thus more slowly than in the preceding three years when the rate had been close to 9 per cent,[125] or on the average of the years 1961-1966 when it had been 7.2 per cent. Population is growing rapidly, at 3.3 per cent per year, and it must have been growing rapidly for some time since the population aged 15 years and over is estimated to be growing currently at close to 3.4 per cent.[126]

The chief cause of the deceleration of annual growth was the drought in the latter months of 1967 which affected a variety of crops. Output of paddy, the largest single crop which occupies about 60 per cent of the working population, declined to 11.2 million tons, that is, by 17 per cent during the crop year ending in March 1968.[127] This was a steep decline from the record level of 1966/67 but the drought-affected output of 1967/68 was still larger than the crops of 1964/65 and 1965/66. Other crops, such as sorghum, jute and kenaf, also suffered damage. Rubber output, however, rose by 19 per cent after three years of stagnancy and the maize harvest, which is timed differently from rice, rose by 35 per cent over the poor year 1966/67, or by 10 per cent over 1965/66.[128]

As a result of these changes, value added by agriculture is estimated to have risen by only 0.6 per cent, compared with 4.4 per cent in 1967 and 5 per cent in 1966.

The decline in growth rates was not confined to agriculture, which furnished some 30 per cent of total value added in 1967. It affected all departments of commodity production: mining and quarrying, which grew at 4.7 per cent as against 6.5 in 1967 and much higher rates in the preceding years (1966: 18.8 per cent; 20.9 per cent); industry, where the growth rate declined from 11.5 per cent in 1967 to 9.3 per cent in 1968; construction, electricity and water supply, transport and communications, commerce and finance.

The only increases in growth rates were recorded in public administration and defence (from 12 per cent in 1967 to 18 per cent) and in services (from 7.2 to 9.2 per cent). The former is stimulated by growing attention to internal security and the latter by the growing civilian tourist trade and by the demand from United States forces stationed in Thailand or visiting it from the Republic of Viet-Nam.

Not all the declines in sectoral rates of growth can be attributed to the decline in the volume of agricultural output in the sense that a recovery of production such as is certain for the national income year 1969 (crop year 1968/69) would restore growth rates to their *status quo ante*. Nor can all of the decline in agricultural growth be attributed to the drought. The export price of rice increased by 14 per cent, but other prices declined, and some have been declining for some time. This holds true of rubber, kenaf and sugar. The price of maize began to decline noticeably in 1968, and so did the price of tapioca flour. The price of tin ore declined throughout 1968 and the export of tin metal was restricted towards the end of the year by the International Tin Council's quota.

Lower outputs and lower prices were bound to hold back the growth of transport and trade—directly and indirectly through the effects on incomes—as did lower foreign military expenditure. Within manufacturing, paddy milling and sugar refining were directly pulled down. Other branches of manufacturing continued to grow fast: cement at 25 per cent, petroleum products (continuously replacing imports) at 19 per cent, and also beverages, textiles, paper and chemicals.

The decline in the rate of growth of construction—from 19 per cent in 1966 to 11 per cent in 1967 and to 8 per cent in 1968—and perhaps also of electricity and water supply require additional explanation. Construction was slowed down by the approaching completion of military installations largely financed by the United States and by the dying down of the urban building boom.[129] The lower growth of electricity and water supply is related to delays in the progress of public works and the lagging construction of irrigation channels that could bring the water from the new dams to the farm fields.

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[124] Unless otherwise indicated, statistical information is taken from Office of the National Economic Development Board, *Thailand's Annual National Economic and Social Development Plan, 1969*, and Bank of Thailand, *Monthly Reports*.

[125] 1965: 8.7 per cent; 1966: 8.6 per cent; 1967: 8.9 per cent.

[126] National Economic Development Board, *Second National Economic and Social Development Plan, 1967-1971*, 1968, p. 61.

[127] There are basically two estimates of paddy production in Thailand. The quoted estimate is that of the National Statistical Office. The estimate of the Rice Department of the Ministry of Agriculture was 9.6 million tons and is normally 1.5-2 million tons below the higher estimate which enters the national income calculations.

[128] National Economic Development Board, Economic Studies Division, *Economic Progress of Thailand - selected indicators*, April 1969.

The use of resources

Consumption in 1968 is estimated to have grown less rapidly than income. In 1967 it grew at about the same rate as product. The changes within consumption that are indicated by the import statistics reflect the growth of income and presumably also the growing inequality in its distribution: while total imports rose by 36 per cent between 1965 and 1967 imports of durable consumer goods (excluding clothing and footwear) rose by 39 per cent, and imports of passenger cars by 73 per cent.[130]

Savings are difficult to estimate since major national accounting aggregates appear to be resting on uncertain foundations. But the average savings ratio emerges as somewhat above 20 per cent.

Capital formation in 1968 formed 27 per cent of expenditure on gross domestic product at current prices, but its rate of growth slowed down by two-thirds, from 24.6 per cent in 1967 (1966: 22 per cent) to 7.4 per cent. The growth of private sector investment diminished from 25 to 5 per cent between 1967 and 1968, but government investment, which in absolute terms is only about one-quarter of the total, maintained itself much better (1968: 16.5 per cent; 1967: 24 per cent). The slower growth of private investment is connected with the exhaustion of the urban building boom. In the years 1965-1967, private construction in urban areas seems to have accounted for 36-38 per cent of gross fixed capital formation, or over 9 per cent of the total expenditure on gross domestic product in 1967.[131] The great rise in urban construction in this decade was presumably made possible by the increase in productivity in construction through the use of imported machinery. This may also help to explain the high average—and higher marginal—savings ratios which probably contain a transient element. The demand for urban structures is in part due to expenditure by foreigners on services and the dampening of this expenditure is reflected in the growth rate of investment.

While government consumption increased at a faster rate—expenditure of defence and administration rising by over 21 per cent—current revenue during the budget year ending September 1968 rose by only 9.1 per cent. It was possible to maintain the increase at this rate by large additions to the rice (export) premium in a year of steeply rising export prices. The budgetary deficit rose sharply to 30 per cent of total current revenue.

Capital expenditure in the budget was increased by 28 per cent, mainly for irrigation, transport, communications and construction.

Wholesale prices rose during 1967, reaching their peak in September, and thereafter declining by about 8 per cent to September 1968. Consumer prices increased slightly towards the end of 1967 when the results of the drought first manifested themselves. A combination of increased imports and administrative reductions in the exports of rice held prices down. The index of consumer prices increased by just over 1 per cent between September 1967 and September 1968.[132]

Foreign trade

Exports of merchandise declined by 4 per cent in 1968, following on a negligible rise in 1967.[133] The quantity of rice exports fell for the third year in succession, but in a much larger proportion: from 1.5 million to 1 million tons. The reduction in 1967 had been only 22,000 tons and the concomitant rise in the export price had increased the value of the export by 16.5 per cent. In 1968, the sharp drop in quantity which was regulated by export quotas, coincided with a smaller rise in prices, by only 14 per cent. In the latter part of the year, export prices fell. Export quotas were relaxed but the high rate of export tax seems to have held back sales. Export revenue from rice declined by 18 per cent.

The production and export of tapioca flour declined by almost 30 per cent during 1968. Entry to the Japanese market was limited by a quota designed to protect local maize flour millers while the glut of maize in the United States caused substitution. Ocean freight rates moved up towards the latter part of the year. The combination of these factors led to the closing of tapioca mills during 1968. Exports of tapioca feed products (pellets, meal and waste) to the Netherlands and the Federal Republic of Germany increased by 50 per cent to 763,000 tons in 1968.

Exports of jute and kenaf declined mainly because producers had been turning to more lucrative crops. India withdrew from the Thai market in May 1967 bul re-entered it in 1968. The volume of exports was

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[129] Office of the Natural Economic Development Board, Thailand's Annual National Economic and Social Development Plan, 1969.

[130] Bank of Thailand, *Monthly Report*, November 1968.

[131] Office of the National Economic Development Board, *National Income of Thailand*, 1967 edition, Bank of Thailand, *op. cit*.
This estimate is based on the assumptions that 'additional local costs' (import duties, insurance, transportation, mark up, etc.) are distributed *prorata* over all gross fixed capital formation; and that private construction in urban areas absorbed imports of cement, construction materials and glass and one of imports of tubes and pipes in proportion to its share in total construction activity. The resulting sum formed 36 per cent of gross fixed capital formation in 1967 (1966: 38 per cent; 1965: 36 per cent).

[132] Bank of Thailand, *Monthly Bulletin*, December 1968. The consumer price index is for Bangkok-Thonburi.

[133] Bank of Thailand.

10 per cent below that of 1967. Tin exports also declined during 1968. The export quotas fixed under the International Tin Agreement required a cut in exports towards the end of the year.

Rubber exports were 20 per cent higher than in 1967 and the value increased in spite of lower prices. Ocean freight rates declined, and a lowering of business taxes and of export taxes stimulated the trade.

Maize exports recovered strongly from the short harvest of 1967 and the export value rose by 15 per cent, having thus doubled since 1963.[134]

The shortfall in the value of merchandise exports were compensated by a further sharp increase in the export of services, less than in previous years but still sufficient to turn the decline in exports of goods into a small increase in total receipts. Income from services formed in 1968 over 40 per cent of the value of exports of goods and services, having almost trebled since 1965. Part of this increase is related to military expenditure and to demands linked to the war in Viet-Nam, which fall on Thai services rather than on commodity exports. The income from invisible exports remains dominated by the item 'government, not included elsewhere' which covers, among others things, receipts from military transactions.[135]

Imports of goods and services rose in 1968 by 11.2 per cent, capital goods forming the most rapidly growing element.

Taken month by month, unit values of imports in 1968 were almost consistently below the levels of 1967: by December 1968 they were about 2 per cent lower. Export unit values also declined. The terms of trade deteriorated throughout most of 1968 but were showing signs of improvement towards the end of the year.

The trade deficit increased by over two-fifths, to Baht 11.1 billion.[136] The growth of income from invisible exports, however, limited the effect of the trade deficit on the current account balance; had the export of services grown between 1965 and 1968 at no greater a rate than merchandise exports, the deficit on goods and services would have been more than two and a half times as large. As it was, the current account deficit on goods and services rose almost three times, from Baht 1.8 billion to 5.2 billion.

Net grants and capital inflows other than monetary movements increased by 25 per cent between 1967 and 1968. Direct investment rose particularly strongly from Baht 620 million to 1.1 billion. But the balance of identified transactions on current and capital account still swung into a large deficit, from surpluses of Baht 1,974 million in1966 and 1,098 million in 1967 to a deficit of Baht 1 404 million in 1968.

Foreign reserves still amounted to US$890 at the end of the year.

Grant assistance received by the public sector during 1968 increased by about 14 per cent to US$58 million.[137] Commitments of US grants and technical assistance fell in the financial year ended June 1968 by 6 per cent to US$53.5 million. Commitments of loans to the government or guaranteed by it were US$39 million, well below the levels of 1966 and 1967.

Problems for 1969

Thailand's annual plan for 1969 forecasts an increase in real product by about 8 per cent, largely on the basis of a recovered agricultural impetus. The output of paddy is now expected to reach 12.4 million tons in the crop year 1968/69 and value added in agriculture at large is forecast to grow by 5 per cent. Industry is expected to grow at 11 per cent, its share rising to 13 per cent of national product. The output of tin will decline because of the export quotas imposed under the International Tin Agreement.

Both private and public consumption are expected to rise. Capital formation will also rise in proportion with income, and remain at 27 per cent of GDP. Public capital formation is projected to rise by 19 per cent but the lower level of private construction activity is expected to slow down the rate of growth of private capital formation. Construction is expected to grow at only 5 per cent following the completion of most military construction projects and the tapering-off of private sector activity in this field. In value, building permits issued by the Bangkok Municipality during 1968 are estimated to amount to less than one-half those issued in 1967. Allowing for the lag in actual construction, activity during 1969 should be significantly lower.

The quantity of rice exports is expected almost to double, rising to 1.9 million tons, but prices will not allow an increase in revenue by more than 70 per cent. Total exports of merchandise are expected to increase by 22.5 per cent, but invisible exports will decline by 8.6 per cent because of smaller expenditure by foreign governments. The current account deficit is not expected to fall, and it may increase. Capital inflows are relied upon to balance payments, possibly resulting in a small surplus.

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[134] Maize is largely grown for export to Japan, on the basis of contracts that stipulate the United States price. When the longshoremen's strike in the United States held up exports towards the end of the year, Thai exports to Japan had to be sold well below world prices. Efforts to renegotiate the price with the Japanese importing group proved futile.

[135] The gross credit on this item rose from Baht 3.6 billion in 1966 to 4.7 billion in 1967 and, at a slower rate, to 5.5 billion in 1968. The remaining components of invisible exports excluding freights etc. on imports, amounted in 1968 to Baht 3.6 billion. On a net basis, 'government n.i.e.' transactions resulted in a credit of Baht 5.1 billion and the rest of invisibles transactions in a credit of Baht 821 million.

[136] Preliminary figure from Bank of Thailand. Exports, f.o.b. Imports, c.i.f.

[137] From provisional estimates of the balance of payments. According to the Department of Technical and Economic Co-operation, disbursements of foreign grants and technical assistance amounted in 1968 to US$69.8 million, an increase of 86 per cent over 1967.

The main difficulty in assessing Thailand's problems is to distinguish between strictly temporary factors of deceleration in the growth of the Thai economy and of deterioration in its balance of payments, and more fundamental ones. The Annual Plan's answers to the question are implicit in its short-term sectoral forecasts but it does not pretend to present a full argument. The fulfilment of its forecasts depends on certain crucial assumptions regarding external prices and domestic costs; on the amount of external capital that will be available, and the terms for it; on the capacity of the administration to carry through investment at the rate foreseen; on the level of private investment about which there appears to be only imperfect information; on the saving ratio and the ability of the Government to raise revenue. As regards the longer term, the productivity of investment and the ability to replace imports through domestic manufacturing pose questions that have their counterpart in the questions about the amount of private capital and aid that Thailand will be able to attract, and the development of its balance of payments.

Several of the factors that add up to an explanation of the decline in growth rates and the worsening external position in 1968 appear to result from tendencies of some standing. The quantity of rice exports has been stagnant for a number of years even though the increase in prices disguised the fact in so far as the balance of payments was concerned. Several of the staple exports of Thailand are facing uncertain markets. The quantity of rubber produced and exported hardly rose between 1964 and 1967. Throughout the better part of the 1960's, till 1967, prices favoured Thailand's main agricultural products, both externally and internally.[138] The prospective movements of some of these prices, including that of rice, reflect narrowing markets and increased competition from other suppliers.

The yield of rice per hectare is low in Thailand by the standards of many Asian countries, including not only China (Taiwan) and the Republic of Korea but also Malaysia, Ceylon and Indonesia. The great increase of rice output from the 1940's onwards was due largely to an expansion of cultivated area.[139] It now appears that new lands become increasingly harder to obtain. Thai farms are large by Asian standards—some four hectare for the average family holding and the comparatively low yield per unit of land is not convincing evidence of relatively low productivity; this must rather be sought in the opinions of experts who feel that large increases of output are obtainable at little extra cost by improved methods of cultivation.[140] In rubber, replanting with high yielding material proceeds slowly; the scheme for replanting rubber land with government assistance, introduced in 1961, had by 1966 only resulted in the replanting of 16 per cent of the target area of 400,000 acres.[141] As regards agricultural infrastructure, while large dams have been constructed a comprehensive system of irrigation canals and reservoirs is still lacking.[142] Poor water management is a main reason for low productivity in paddy farming. The ability to increase productivity on the farm, by improved techniques and by investment on the land, and the rapid completion of irrigation works which have remained half-finished so far as their utility to the cultivator is concerned, will determine the ability of Thai agriculture to meet circumstances which, while not new, have only recently revealed themselves as major problems affecting the future of the economy and demanding public action. Competition will increase in most of Thailand's exports and growth at the accustomed rates now depends on improved productivity such as Thai maize growers have obtained.

The present occasion for posing questions about the future of Thailand's agriculture is the recent development and prospects of the balance of payments. Good or moderately good prices for certain major products, and the advantage of being early in the field of certain commodity exports (maize) strengthened the balance of payments at a time when imports were rising strongly and when production of the export commodities itself moved only slowly on average. The loss of some of these market advantages is now distinctly possible. The effect of war-related expenditures by foreign governments and troops is probably less ambiguous as regards the balance of payments than national product.[143] The prospective decline of these receipts nevertheless also concerns the development of the industrial and services sectors of national production. While the expenditures lasted, they led to the creation of useful economic assets, just as the assisted expenditure entailed by the counter-insurgency operations and the development of the north and northeast of the country, which is partly motivated by security considerations, led to the building of overdue infrastructure. Other parts of this expenditure brought into existence a large urban service industry some of which may become redundant, and also stimulated a large volume of urban building. The urban prosperity that was created led to commodity production in forms that are not necessarily the most suitable for a situation of less abundant foreign exchange revenues. The stability of the price level may, of course, also be more difficult to assure if less domestic expenditure has a direct foreign exchange counterpart. But the fundamental problem in the non-agricultural sectors should be the selection of projects or industries which can develop without over-mortgaging the balance of payments. A small but efficient group of economists and economic administrators which has recently begun to undertake annual planning exercises may infuse into the administration a more selective and systematic approach to industrial development. A more systematic development policy may demand the continuation of a high level of public expenditure in town and country, and possibly an increase. While the future savings behaviour of the economy is a little uncertain,[144] it seems likely that the problem of channelling resources to the public sector will become prominent and require greater fiscal efforts, unless aid can be relied upon to fill the gaps. To rely on aid in the long run seems imprudent in 1969. Private and government savings will thus have to be raised, and promised administrative improvements[145] will help in this as in other respects. The large accumulation of foreign reserves, which have been managed with the utmost caution, allows considerable freedom of movement for some time to come.

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[138] Until 1968, value added by agriculture rose consistently faster in current than in constant prices, and its share in national product declined faster at constant than at current prices.

[139] Between 1957 and 1966, output of paddy rose by 112 per cent, the harvested area rising by 60 per cent and output per hectare by 33 per cent.

[140] See, for instance, Sala Dasananda (Director General, Rice Department), *Rice Production, Technical, Economic and Institutional Considerations*, and *Rice Cultivation in Thailand.* Reports to the eleventh session of the International Rice Commission, Tokyo, 28 October-2 November 1968.

[141] National Economic Development Board, *The Second National Economic and Social Development Plan, 1967-1971*, p. 90, and do., *National Economic and Social Development Plan, Revised, 1968*, p. 12.

[142] *Ibid.*, pp. 15, 83, 89 and 94.

[143] According to one estimate, the direct contribution of war-related U.S. expenditure between 1965 and 1967 including direct military expenditures and expenditures by troops on leave, totalled about 8 billion baht (ca. $385 million). In 1968, another 3 to 4 billion baht may have been GDP added. The estimates leave open the size of the import component of these expenditures, either direct military imports or expenditures on imported goods. (*Bangkok Post*, 5 December 1968.) Eight billion baht would be equivalent to 26 per cent of the increment of GDP between 1964 and 1967. When compared with the increment of foreign exchange receipts from all sources, the relative importance of the estimated war-related receipts is of course much increased.

A measure of control of consumption will be required not only to make room for investment but also to limit imports. The balance of payments, which seems to contain the immediate cause for concern, is capable of adjustment, consistent with continued growth of national product at 3-4 per cent per head, only by way of the long-run exploitation of opportunities for increased productivity, the rational selection of products and generally heightened rationality of economic policy.

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[144] Econometric studies undertaken by the National Economic Development Board in preparation for the second development plan (1967-1971), based on the assumption of growth at 7 per cent in GDP, 6 per cent in exports and 6.5 per cent in imports, 1972-1981, revealed an *ex ante* savings gap which was slightly larger than the *ex ante* trade gap. Since then, the national account figures of capital formation have been revised upwards.

[145] Statement by the Prime Minister of Thailand, *Bangkok Post*, 26 March 1969.

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UNITS AND SYMBOLS EMPLOYED

Unless otherwise stated "tons" relate to metric tons, "dollars" relate to United States dollars, and "billion" signifies a thousand million.

The following symbols have been used throughout:

* = 12 months beginning 20-23 March of the year stated.
‡ = 12 months beginning April of the year stated.
† = 12 months ending September of the year stated.
ϕ = 12 months ending June of the year stated.
Mn = million.
I, II, III, and IV for quarters of years.

= not applicable.
... = not available.
— = nil or negligible.
r = revised figures from this issue.
Figures in italics are provisional or unofficial.

Substantial breaks in the homogeneity of a series are indicated either by a horizontal line across the column or by vertical double lines in a row of figures.

SOURCES

To ensure comparability, data compiled or published by the United Nations Statistical Office have been incorporated wherever feasible; material supplied by governments, publications of governments, of the United Nations specialized agencies and of international commodity study groups have been used as additional sources.

(See also explanatory note on page iv, Economic Survey of Asia and the Far East, 1968)

REGIONAL STATISTICS

1. DEVELOPING ECAFE REGION: REGIONAL STATISTICAL SERIES

Annual and quarterly figures

	1962	1963	1964	1965	1966	1967	1968	1967			1968		
								II	III	IV	I	II	III
POPULATION[a] *(Midyear estimates, millions)*													
Series A	*1 556*	*1 588*	*1 620*	*1 657*	*1 691*	*1 725*	*1761*	.	.	.	.	.	.
Series B	857	878	900	926	949	973	*997*	.	.	.	.	.	.
AGRICULTURAL PRODUCTION													
Index of agricultural production[b]	*(1952—1956=100)*												
All commodities	125	129	132	130	131	138	144	.	.	.	.	.	.
Food	125	129	132	129	130	137	144	.	.	.	.	.	.
Per capita food	104	104	104	100	98	100	103	.	.	.	.	.	.
Cereals *(million tons)*													
Rice (paddy)	118.8	128.5	133.4	120.2	120.5	133.3	138.4	.	.	.	.	.	.
Wheat	21.6	20.4	19.4	22.6	20.2	22.6	30.3	.	.	.	.	.	.
Maize	12.2	11.6	13.2	11.9	12.9	14.3	15.1	.	.	.	.	.	.
Millet and sorghum	18.5	17.9	19.0	14.8	17.6	20.0	19.9	.	.	.	.	.	.
Starchy root crops *(million tons)*													
Potatoes	3.6	4.5	3.9	5.1	5.6	5.1	5.9	.	.	.	.	.	.
Sweet potatoes and yams	10.6	9.4	12.7	11.8	11.6	10.8	11.5	.	.	.	.	.	.
Cassava	16.9	17.4	18.5	17.6	19.6	18.6	19.6	.	.	.	.	.	.
Oilseeds *(million tons)*													
Groundnuts (in shell)	6.3	6.3	7.0	5.4	5.7	7.1	5.9	.	.	.	.	.	.
Copra	2.5	2.7	2.7	2.7	2.9	2.5	2.5	.	.	.	.	.	.
Tea *(thousand tons)*	703.4	708.9	743.9	756.2	750.8	761.1	775.2	*199.0*	*258.3*	*190.4*	*99.3*	*209.0*	...
Tobacco *(thousand tons)*[r]	762.7	768.1	811.9	829.0	843.1	952.7	967.0	.	.	.	.	.	.
Fibres *(thousand tons)*													
Cotton (lint)	1 604	1 758	1 646	1 610	1 649	1 854	1 842	.	.	.	.	.	.
jute and allied fibres[r]	2 699	2 833	2 737	2 954	3 184	2 985	2 357	.	.	.	.	.	.
Natural rubber *(thousand tons)*[r]	1 934	1 895	2 020	2 149	2 249	2 284	2 424	*522*	*600*	*602*	*574*	*535*	...
INDUSTRIAL PRODUCTION													
Index of industrial production[c] *(1963=100)*													
Mining and manufacturing	94	100	110	120	125	132	*142*	130	134	135	139	140	145
Mining	94	100	106	117	124	143	*155*	143	145	144	143	157	159
Manufacturing	94	100	110	120	124	129	*138*	126	131	132	136	135	140
Light manufacturing	97	100	109	119	124	128	*135*	124	132	132	136	131	137
Heavy manufacturing	89	100	112	121	124	130	*144*	129	130	131	138	141	146
Food, beverages, tobacco	96	100	105	113	126	125	*132*	116	127	131	136	125	130
Textiles	99	100	114	117	115	118	*124*	117	122	121	124	121	129
Paper and paper products	86	100	107	113	123	128	*142*	128	135	135	137	140	141
Chemicals, petroleum and coal products	93	100	110	114	119	132	*148*	131	133	136	138	147	153
Non-metallic mineral products	92	100	107	116	121	131	*142*	134	135	130	137	143	139
Basic metals	84	100	103	106	111	108	*116*	101	108	109	113	113	119
Metal products	88	100	119	134	135	136	*150*	137	132	134	147	144	153
Electricity and gas	87	100	114	130	143	161	*187*	159	166	170	172	182	196
Coal *(million tons)*	75.6	81.9	79.2	84.5	*89.3*	*91.8*	...	*23.5*	*22.4*	*22.4*	*20.4*	*21.4*	*20.1*
Iron ore *(million tons)*	28.31	29.99	30.28	33.43	*35.21*	*33.67*	...	*9.15*	*8.33*	*7.80*	*8.68*	*8.63*	*8.59*
Tin in concentrates *(thousand tons)*	93.5	91.2	94.5	100.2	*106.3*	*110.5*	...	*26.9*	*28.1*	*28.9*	*29.0*	*28.7*	*31.2*
Petroleum, crude *(million tons)*	94.08	101.55	114.20	129.65	*139.48*	*165.49*	...	*38.87*	*42.78*	*42.74*	*42.49*	*44.79*	*45.88*
Salt *(thousand tons)*	6 678	7 284	7 294	7 802	*7 031*	*7 513*	...	*3,814*	*1,033*	*1 002*	*1 603*	*3 007*	*972*
Sugar *(thousand tons)*	6 495	6 091	6 860	7 862	*7 742*	*6 539*	...	*1 025*	*768*	*1 851*	*2 817*	*1 533*	*782*
Cotton yarn *(thousand tons)*	1 313	1 362	1 472	1 466	*1 463*	*1 501*	...	*374*	*385*	*394*	*388*	*391*	*405*
Cotton fabrics *(million metres)*	6 442	6 508	6 859	6 591	*6 531*	*6 591*	...	*1 655*	*1 711*	*1 699*	*1 711*	*1 700*	*1 742*
Jute manufactures *(thousand tons)*	1 523	1 624	1 633	1 714	1 611	*1 643*	...	*412*	*419*	*404*	*435*	*444*	*438*
Paper excluding paperboard *(thousand tons)*	448	510	566	589	655	*663*	...	*164*	*166*	*172*	*165*	*168*	*176*
Vegetable oils *(thousand tons)*	1 153	1 164	1 404	*1 492*	*1 218*	*1 278*	...	*312*	*324*	*331*	*329*	*330*	*343*
Cement *(million tons)*	16.6	18.0	19.3	21.7	*24.1*	*25.7*	...	*6.7*	*6.4*	*6.3*	*6.9*	*7.5*	*7.3*
Steel (ingots and metal for castings) *(thousand tons)*	5 454	6 363	6 413	6 845	*7 171*	*7 225*	...	*1 755*	*1 766*	*1 830*	*1 845*	*1 731*	*1 710*
Tin metal *(thousand tons)*	85.4	87.4	74.3	81.1	*91.2*	*106.0*	...	*26.4*	*26.0*	*26.0*	*28.1*	*27.9*	*30.0*
Electricity *(billion kWh)*	38.0	43.3	50.0	60.5	66.6	*74.3*	...	*18.4*	*19.1*	*19.5*	*19.8*	*20.0*	*21.3*
TRANSPORT[d]													
Railway traffic *(billions)*													
Passenger-kilometres	121.0	124.4	130.0	135.6	140.7	*146.0*	...	39.2	35.0	35.2	...	...	...
Freight ton-kilometres	97.3	106.2	112.6	113.4	124.7	*134.4*	...	34.1	32.9	32.1	...	...	...
International sea-borne shipping[e] *(million tons)*													
Freight loaded	125.5	135.8	152.0	174.2	180.6	*184.1*	...	39.4	61.4	*40.4*	*41.8*	...	...
Freight unloaded	79.8	85.0	94.5	100.0	112.8	*121.0*	...	24.5	22.3	22.7	23.7	...	...
EXTERNAL TRADE													
Total value *(million US dollars)*													
Exports	8 560	9 368	10 111	10 619	11 045	*12 057*	...	*2 758*	*3 145*	*3 318*	*2 869*	*3 116*	*3395*
Imports	10 854	11 550	12 662	13 426	14 006	*15 573*	...	*4 044*	*3 668*	*3 908*	*3 938*	*4 134*	*4179*
Quantum index[f] *(1963=100)*													
Exports	91	100	105	109	115	120	...	119	118	124	121	132	135
Imports	95	100	107	113	119	131	...	134	124	133	132	140	143
Unit vlaue index[f] *(1963=100)*													
Exports	100	100	100	101	101	99	...	99	99	99	96	98	99
Imports	98	100	101	102	101	100	...	101	100	99	99	99	97
Terms of trade[f] *(1963=100)*	102	100	99	99	100	99	...	98	100	100	97	99	102

1. DEVELOPING ECAFE REGION: REGIONAL STATISTICAL SERIES *(Cont'd)*

Annual and quarterly figures

	1962	1963	1964	1965	1966	1967	1968	1967			1968		
								II	III	IV	I	II	III
EXTERNAL TRADE *(Cont'd)*													
Direction of trade[g] *(million US dollars)*													
Exports to:—													
ECAFE countries	3 057	3 496	3 781	*3 930*	*4 295*	*4 730*	....	*1 050*	*1 158*	...	...	...	...
Western Europe (including U.K.)	2 487	2 708	2 626	*2 741*	*2 587*	*3 028*	...	*584*	*757*	...	...	...	...
U.K.	1 126	1 174	1 130	*1 030*	*1 009*	*1 341*	...	*235*	*346*	...	...	...	...
U.S.A.	1 279	1 345	1 534	*1 753*	*1 861*	*2 038*	...	*465*	*500*	...	...	...	...
Sterling area	2 947	3 121	3 152	*3 104*	*3 037*	*3 434*	...	*748*	*886*	...	...	...	...
Imports from:—													
ECAFE countries	3 988	4 232	4 349	*4 890*	*5 486*	*5 945*	...	*1 392*	*1 379*	...	...	...	...
Western Europe (including U.K.)	3 033	3 035	3 182	*3 542*	*3 487*	*3 683*	...	*951*	*843*	...	...	...	...
U.K.	1 351	1 311	1 231	*1 332*	*1 236*	*1 236*	...	*316*	*303*	...	...	...	...
U.S.A.	2 178	2 450	2 558	*2 850*	*3 284*	*3 663*	...	*940*	*891*	...	...	...	...
Sterling area	2 635	2 656	2 751	*2 840*	*2 879*	*3 021*	...	*722*	*740*	...	...	...	...
Exports of primary products[h]													
Quantum index *(1963 = 100)*													
General	89	100	*106*	111	*113*	*126*	...	*103*	*137*	*140*	*123*	*121*	*131*
Food	90	100	*103*	99	94	*95*	...	83	88	82	*81*	*83*	*86*
Agricultural materials	92	100	*103*	107	*113*	*114*	...	*113*	*110*	*121*	*135*	*124*	*123*
Mineral products	83	100	114	134	140	*190*	...	*110*	*250*	*250*	*155*	*166*	*208*
Unit value index *(1963 = 100)*													
General	99	100	*98*	96	*91*	*88*	...	*90*	*90*	*87*	*87*	*85*	*89*
Food	94	100	*100*	95	92	*92*	...	101	99	96	*97*	*94*	*101*
Agricultural materials	102	100	*94*	94	*90*	*79*	...	*81*	*77*	72	*78*	*74*	*75*
Mineral products	101	100	102	98	*91*	*96*	...	*96*	*96*	*97*	*94*	*95*	*96*
Quantity of exports *(thousand tons)*													
Food													
Fish, fresh or simply preserved	89	97	*107*	87	114	221	...	25	66	29	28	28	26
Cereals[i]	3 902	4 831	5 316	4 889	4 345	3 510	...	911	755	724	*737*	*861*	*609*
Sugar	1 966	2 279	2 296	2 151	2 295	1 709	...	616	320	233	538	691	*317*
Tea	466	476	471	487	436	541	...	83	134	139	105	78	*154*
Spices	116	115	113	106	96	128	...	34	31	35	25	*27*	*32*
Agricultural materials													
Hides and skins, raw	37	31	*24*	24	22	17	...	5	3	2	3	3	*2*
Oilseeds, oil nuts & oil kernels	1 117	1 326	1 270	1 150	*1 189*	991	...	*203*	*278*	*276*	*168*	*210*	*284*
Rubber, natural	1 865	1 883	2 066	2 145	2 190	2 334	...	546	593	612	657	654	693
Wood and lumber	5 326	6 634	6 877	8 446	*10 487*	10 877	...	*2 880*	*2 830*	*2 904*	*2 666*	*3 072*	*2 869*
Cotton, raw	210	310	*221*	303	*247*	*330*	...	*96*	*47*	*99*	*131*	*89*	*46*
Jute, raw	741	738	*755*	704	675	527	828	179	68	124	387	99	122
Hemp, raw	108	132	123	100	87	76	...	20	14	16	21	14	14
Vegetable oils, not essential	554	652	713	629	781	644	...	146	162	182	*184*	*203*	*207*
Mineral products													
Iron ore *(million tons)*	11.47	16.90	18.72	19.70	20.77	*20.39*	...	*5.31*	*4.32*	*5.59*	*5.38*	*6.34*	*5.12*
Tin ore and concentrates	33	31	29	24	9	*13*	...	3	3	*6*	*3*	*6*	*3*
Manganese ore	777	924	1 576	1 147	1 348	1 108	1189	271	209	310	256	317	286
Coal	1 486	1 224	1 592	1 131	518	422	...	112	75	138	164	149	163
Crude petroleum *(million tons)*	54.6	65.2	74.5	92.3	98.5	*139.9*	...	*18.6*	*48.1*	*46.6*	*27.6*	*28.8*	*38.7*
GOLD AND FOREIGN EXCHANGE ASSETS[j] *(end of period, million US dollars)*	3 515	3 682	3 446	3 775	4 284	4 446	...	4 337	4 394	4 446	4 509	*4 513*	*4 522*

GENERAL NOTES: In general, the regional statistical series cover the developing ECAFE countries (excluding the developed ECAFE countries of Australia, Japan and New Zealand) except mainland China, Mongolia, Nepal and, in most cases, Afghanistan and Iran; in some cases, other countries have also been omitted because of lack of data. Except in the case of mainland China, countries omitted in the regional series are, from the point of view of the series, usually less important. To maintain comparability, the countries included in different periods for each series are the same.

a. Series A: excluding mainland China, North Korea and North Viet-Nam; Series B: including mainland China, North Korea and North Viet-Nam.

b. This index was compiled and calculated by Food and Agriculture Organization of the United Nations.

c. This index compiled by the United Nations Statistical Office covers Afghanistan Brunei, Burma, Ceylon, China (Taiwan), Hong Kong, India, Indonesia, Iran, Republic of Korea, Malaysia (excluding Sabah), Pakistan, Philippines, Singapore, Thailand and Republic of Viet-Nam. For more detailed statistics and explanatory notes see United Nations *Monthly Bulletin of Statistics*.

d. For countries covered see table 18 but excluding developed ECAFE countries.

e. Excluding India for quarterly figures.

f. This index compiled by the United Nations Statistical Office covers Afghanistan, Brunei, Burma, Cambodia, Ceylon, China (Taiwan), Hong Kong, India, Indonesia, the Republic of Korea, Laos, Macau, Malaysia, Pakistan, Philippines, Singapore, Ryukyu Islands, Thailand and the Republic of Viet-Nam. The quantum indexes are of the Laspeyres type and the unit value indexes are of the Paasche type. The index of terms of trade is the result of dividing the export unit value index by the import unit value index.

g. For countries covered, see table 20 but excluding Afghanistan and developed ECAFE countries.

h. Exports of 18 primary products and food from 18 developing ECAFE countries and territories (excluding mainland China, Fiji, Mongolia, Nepal and Western Samoa) are included in the index. To minimize the effect of transit trade, only export of domestic produce is included for Hong Kong and net export of rubber is used. The quantity of exports of each item is totalled for 18 countries and territories and then weighted by the total value of exports of each commodity in terms of United States dollars in 1963 to form the quantum index. The unit value index is obtained by dividing the index of total value of exports in United States dollars by the quantum index. The commodities included in the index account for 48.4 per cent of the total value of exports from 18 countries. (If Hong Kong is excluded the percentage is increased to 53.4)

i. Comprising maize, rice and rice products only.

j. Covers Burma, Cambodia, Ceylon, China (Taiwan), India, Indonesia, Iran, the Republic of Korea, Malaysia, Pakistan, Philippines, Thailand and the Republic of Viet-Nam. Since 1963 excluding Indonesia.

2. AREA AND POPULATION

	Area (km²)	Latest census		Estimates of midyear population *(thousands)*							
		Date	Population	1937	1962	1963	1964	1965	1966	1967	1968
Afghanistan	647 497	...	...	10 972	14 287	14 537	14 792	15 051	15 397	15 751	16 113
Brunei[a]	5 765	10/ 8/1960	83 877	35	91	94	97	101	104	108	112+
Burma	678 033	5/ 3/1941	16 823 798[b]	15 635[b1]	23 253	23 735	24 229	24 732	25 246	25 811	26 389
Cambodia[c]	181 035	17/ 4/1962	5 728 771	3 046[c1]	5 754	5 881	6 010	6 142	6 277	6 415	6 556
Ceylon[c2]	65 610	8/ 7/1963	10 582 064	5 725	10 390+	10 646	10 903	11 164	11 440	11 701	*11 964*
China: mainland	9 561 000	30/ 6/1953	582 603 417[d]	452 460	670 000+	680 000+	690 000+	700 000+	710 000+	720 000+	730 000+
Taiwan[e]	35 961	16/12/1966	13 383 357	5 530	11 330	11 698	12 070	12 443	12 811	13 145	*13 466*
Fiji	18 272	12/ 9/1966	476 727	...	421	434	449	464	478	490	505+
Hong Kong[f]	1 034[f1]	2/ 8/1966	3 708 920[f2]	1 282	3 347	3 504	3 594	3 692	3 732	3 834	3 927
India[g]	3 268 090	1/ 3/1961	435 511 606[g1]	303 626[g2]	449 640	460 487	471 624	486 650	498 703	511 125	523 893
Indonesia[h]	1 491 564	31/10/1961	96 *318 829*	67 398[h1]	97 765	100 004	102 417	104 879	107 431	110 079	112 825
Iran	1 648 000	1/11/1966	25 785 210	...	22 700+	23 300+	23 900+	24 549+	25 283+	26 284	26 985
Korea	220 231[i]	1/ 5/1944	25 120 174[i1]	21 528	37 325+	38 368+	39 431+	40 477+	41 486+	42 484+	43 470+
Republic of Korea[i2]	98 477	1/10/1966	29 207 856	...	26 125	26 868	27 631	28 377	29 086	29 784	30 470
Laos	236 800	...	...	1 012[j]	2 450+	2 510+	2 570+	2 635	2 698	2 763	2 825
Malaysia:[a]											
East: Sabah	76 115	10/ 8/1960	454 421	295[k]	488	504	524	544	567	591	614+
Sarawak	125 205	14/ 6/1960	744 529	440	778	799	818	838	862	903	930+
West	131 313	17/ 6/1957	6 278 758	4 083	7 377	7 611	7 814	8 039	8 298	8 540	8 840
Mongolia	1 565 000	5/ 1/1963	1 017 100[i1]	748[j]	1 007+	1 030+	1 050+	1 104	1 140+	1 170+	1 200+
Nepal	140 797	22/ 6/1961	9 412 996	6 000	9 550+	9 730+	9 920+	10 100	10 294	10 500+	10 700+
Pakistan[m]	946 716	1/ 2/1961	93 831 982	68 594	96 640	98 675	100 753	102 876	105 044	107 258	109 520
Philippines	300 000	15/ 2/1960	27 087 685	15 445	29 257	30 241	31 270	32 345	33 477	34 656	35 993
Singapore[n]	581	17/ 6/1957	1 445 929	651	1 733	1 775	1 820	1 865	1 914	1 956	1 988
Thailand	514 000	25/ 4/1960	26 257 916	14 492	28 054	28 923	29 820	30 744	31 698	32 680	33 693
Viet-Nam	329 556	...	...	18 980[p]	32 129+	33 117+	34 115+	35 124+	36 043+	37 073+	38 104+
Republic of Viet-Nam[p1]	173 809	...	...	...	14 929	15 317	15 715	16 124	16 543	16 973	17 414
Western Samoa	2 842	21/11/1966	131 377	56	117	120	123	127	130	134	137
Australia[q]	7 686 810	30/ 6/1966	11 550 462	*6 836*	10 742	10 950	11 167	11 388	11 599	11 810	12 031
Japan[s]	369 777[s1]	1/10/1965	98 274 961	70 040[s2]	94 933	95 900	96 903	97 952	98 864	99 918	*101 090*
New Zealand[t]	268 675	22/ 3/1966	2 676 919	1 587	2 482	2 532	2 585	2 628	2 676	2 726	2 751

Source: United Nations Statistical Office.

General note: For details and explanatory notes, see United Nations Demographic Yearbook 1967.

+ United Nations estimate.

[a] Population excludes transients afloat, and are based on natural increase only.

[b] Results of an incomplete census. The first and second stages of a multi-stage census were completed on 1 Feb. 1953 and 1 Feb. 1954, respectively, but no further enumeration was undertaken. The results of the first stage gave a total of 2 946 704 for the de jure population in 252 towns approximating the urban area of the Union. In the second stage an additional 2 908 001 persons were enumerated in 3 159 village tracts of which 2 143 in Burma proper and 1 016 in Kachin State, roughly 15 per cent of the total rural area.

[b1] 1931 Census area.

[c] Population excludes foreign diplomatic personnel and their dependants.

[c1] Midyear 1936 estimate.

[c2] Census result excludes and estimates include adjustment for underenumeration at census.

[d] Population registered, plus an estimate of 8 397 477 for persons living in outlying areas where local registration offices were not established. No adjustment has been made for 0.1 per cent estimated net underenumeration. Source: *Hsin Hua Monthly*.

[e] Excluding Quemoy and Matsu and also armed forces and foreigners.

[f] Comprising Hong Kong Island, Kowloon and the New (leased) Territories.

[f1] Land area only. Total, including ocean area within administrative boundaries, is 2 916 km².

[f2] Estimate based on results of sample survey. Excluding transients.

[g] Beginning 1965, including data for part of Jammu and Kashmir, the final status of which has not yet been determined. Excluding Sikkim.

[g1] Includes an estimate of 626 667 for Goa, Daman and Diu.

[g2] Including Kashmir-Jammu, the final status of which has not yet been determined and Sikkim. Excluding Mahé, Karikal, Pondichéry and Yanaon (together population estimated at 323000 in 1952), Chandernagore, Goa, Daman and Diu.

[h] Excluding West Irian.

[h1] Including West Irian.

[i] Includes the area of the demilitarized zone (1 262 km²).

[i1] Population is *de jure*.

[i2] Population excludes alien armed forces, civilian aliens employed by armed forces and foreign diplomatic personnel and their dependants.

[j] 31 December estimate.

[k] Excluding Labuan acquired from Straits Settlement in 1946 (population 7 507 at 1 April 1931 census).

[m] Data are for territory excluding Kashmir-Jammu, the final status of which has not yet been determined: data also exclude Junagardh, Manavadar, Gilgit and Baltistan, and census data probably also exclude a considerable number of nomads. Population data exclude adjustment for underenumeration at census.

[n] Population excludes transients afloat and non-locally domiciled military and civilian services personnel and their dependants, numbering 3 466 and 27299 respectively at 1957 census.

[p] For 1936.

[p1] Beginning 1962, estimates based on annual rate of increase (2.6 per cent).

[q] Population excludes full-blooded aborigines.

[s] Comprising Hokkaido, Honshu, Shikoku, Kyushu, the Amami Islands, and the Tokara Archipelago. Population excludes diplomatic personnel outside country and Allied military and civilian personnel and their dependants stationed in the area.

[s1] Excluding Takeshima in Shimane-ken.

[s2] Excluding Tokara Archipelago and Amami Islands. Also excluding armed forces outside country. Including foreign diplomatic personnel. 1 October estimate.

[t] Including Campbell and Kermadec Islands (population 18 in 1966 area 148 km²), as well as Antipodes, Auckland, Bounty, Snares, Solander, and Three Kings Islands, all of which are uninhabited. Population excludes diplomatic personnel and armed forces stationed outside country, the latter numbering 1,936 at 1966 census; population also excludes alien armed forces within the country.

3. CRUDE RATES OF LIVE BIRTHS AND DEATHS PER ANNUM

Number of Live Births or Deaths per 1,000 persons

	Brunei	Burma[a]	Ceylon	China[b] (Taiwan)	Fiji	Hong Kong[c]	India[d]	Iran	Malaysia			Philippines	Singapore[e]	Thailand	Viet-Nam Republic of[f]	Western Samoa[g]	Australia[h]	Japan[i]	New Zealand
									East		West								
									Sabah	Sarawak									
(1) LIVE BIRTHS																			
1958	57.9	36.6	35.8	41.7	40.3	37.4	21.5	…	38.4	26.3	43.3	29.7	42.0	31.8	34.4	37.3	22.6	18.1	26.6
1959	52.5	38.2	37.0	41.2	41.8	35.2	21.9	…	30.4	25.3	42.2	30.4	40.3	33.6	31.1	37.8	22.6	17.6	26.5
1960	48.9	42.3	36.6	39.5	39.9	36.0	21.1	…	35.0	25.1	40.9	29.6	37.8	34.7	29.9	35.1	22.4	17.2	26.5
1961	49.4	38.5	35.9	38.3	40.9	34.2	21.0	36.7	35.4	25.9	41.9	27.7	35.5	33.6	25.6	31.2	22.8	16.9	27.0
1962	43.8	36.7	35.7	37.4	39.5	35.6	20.9	40.1	34.5	29.0	40.4	28.4	34.0	34.7	23.4	34.3	22.2	17.1	26.2
1963	37.5	42.7	34.4	36.3	38.0	33.8	20.3	42.4	33.8	25.8	39.4	26.0	33.5	35.3	26.6	32.4	21.6	17.3	25.5
1964	43.0	39.9	33.2	34.5	37.8	31.0	20.8	42.1	34.4	27.3	39.1	25.7	32.0	37.5	29.4	32.3	20.6	17.7	24.1
1965	41.5	47.0	33.1	32.7	35.9	28.8	…	42.3	35.7	28.0	36.7	24.6	29.9	36.4	27.7	30.7	19.7	18.6	22.8
1966	39.3	52.6	32.2	32.4	34.8	25.8	…	42.5	36.9	28.9	37.3	24.6	28.6	34.2	33.8	28.6	19.3	13.8	22.5
1967	40.6	41.0	*31.6*	28.5	34.1	24.6	…	40.1	35.3	27.7	35.2	22.0	25.9	…	…	28.2	19.4	19.4	22.4
1968	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	22.6
I	39.5	41.5	…	30.8	…	22.6	…	…	…	…	…	…	22.9	…	…	…	19.5	…	22.6
II	47.1	39.7	…	27.1	…	18.5	…	…	…	…	…	…	23.3	…	…	…	20.1	…	21.6
III	48.2	40.4	…	28.0	…	22.3	…	…	…	…	…	…	23.8	…	…	…	20.4	…	22.7
IV	…	…	…	…	…	22.9	…	…	…	…	…	…	…	…	…	…	…	…	23.5
(2) DEATHS																			
1958	12.0	19.4	9.7	7.6	7.0	7.2	11.2	…	7.6	5.7	11.0	8.5	7.0	8.4	7.0	5.4	8.5	7.5	8.9
1959	11.7	18.9	9.1	7.2	7.6	6.8	9.2	…	7.3	5.7	9.7	7.4	6.5	8.0	6.6	4.1	8.9	7.5	9.1
1960	10.9	19.9	8.6	6.9	6.6	6.2	9.2	24.5[j]	8.3	5.8	9.5	7.8	6.2	8.4	6.9	3.7	8.6	7.6	8.8
1961	6.9	18.4	8.1	6.7	6.4	5.9	9.3		6.8	5.2	9.2	7.5	5.9	7.7	5.7	3.4	8.5	7.4	9.0
1962	6.9	18.9	8.6	6.4	6.3	6.3	8.8	6.9	6.6	5.1	9.4	7.3	5.9	7.9	5.1	4.9	8.7	7.5	8.9
1963	7.0	18.3	8.6	6.1	5.8	5.8	8.6	5.7	5.6	5.5	9.0	7.1	5.7	8.1	5.8	4.0	8.7	7.0	8.8
1964	6.4	17.9	8.8	5.7	6.1	5.2	8.2	6.1	5.6	5.1	8.1	7.1	5.7	7.7	5.7	5.4	9.0	6.9	8.8
1965	6.6	18.2	8.2	5.5	5.1	4.9	…	6.1	5.5	5.0	7.9	7.3	5.5	7.1	6.4	5.7	8.8	7.2	8.7
1966	6.3	18.0	*8.2*	5.4	5.2	5.2	…	7.0	5.9	4.8	7.6	7.1	5.5	7.5	7.3	6.2	9.0	6.8	8.9
1967	6.1	12.2	*8.2*	5.5	5.0	5.3	…	6.8	5.7	4.8	7.5	6.5	5.4	…	…	4.6	8.7	6.8	8.4
1968	…	…	…	…	…	*4.9*	…	…	…	…	…	…	…	…	…	…	…	…	8.9
I	5.9	13.4	…	6.1	…	6.0	…	…	…	…	…	…	5.3	…	…	…	8.0	…	7.6
II	5.9	12.8	…	5.3	…	4.7	…	…	…	…	…	…	5.2	…	…	…	8.7	…	8.7
III	7.4	13.1	…	5.3	…	5.2	…	…	…	…	…	…	6.5	…	…	…	10.9	…	10.3
IV	…	…	…	…	…	4.3	…	…	…	…	…	…	…	…	…	…	…	…	8.9

Source: United Nations Statistical Office.

a. Data are for a changing number of towns having a population of approximately 1 million for 1962, 2 million for 1958-61, and 1963, and 3 million for 1964-65.

b. Excluding armed forces and foreigners. Also excluding live-born infants dying before registration of birth.

c. Rates computed on population including armed forces have been adjusted to take account of under-registration. For 1968 figures based on mid-year 1968 population.

d. Rates are for a changing group of states and territories of Republic of India, which, in 1964, included a population of about 320 million. In better registration states, birth rates for 1958-1961 are 33.1, 34.6, 32.6 and 33.4 respectively.

e. Rates computed on population excluding transients afloat and non-locally domiciled military and civilian services personnel and their dependants; also exclude vital events among non-locally domiciled military and civilian services personnel and their dependants.

f. Data are for changing territory representing about 90 per cent of total population in 1963.

g. Birth registration estimated to be about 75 per cent complete in 1958-1963.

h. Prior to 1961 excluding full-blooded aborigines, estimated at 40081 in June 1961.

i. Japanese nationals in Japan only, but rates are computed on population including foreigners except allied military and civilian personnel and their dependants stationed in the area.

j. Estimate based on analysis of data from 1956 census. Recorded rate is 7.6 for 1961.

POPULATION AND EMPLOYMENT

4. EMPLOYMENT

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
CHINA (Taiwan) *(thousands)*													
All industries[a]	...	3 607	3 617	3 633	3 646	*3 973*	...	...	4 013	4 298	...	...	...
Primary	...	...	...	1 707	1 586	*1 703*	...	...	1 615	1 745	...	...	...
Secondary	...	...	...	812	850	*997*	...	...	997	1 033	...	...	...
Tertiary[b]	...	...	...	1 114	1 210	*1 271*	...	...	1 401	1 520	...	...	...
HONG KONG *(thousands)*													
Mining and quarrying	2.3	2.3	2.2	2.4	2.2	1.5	...	...	...	...	...	...	...
Manufacturing	272.8	326.2	322.3	341.1	391.5	417.2	...	...	...	...	...	...	...
INDIA *(thousands)*													
Factories under Factory Act[b]	4 111	4 374	4 616	4 730	*4 687*	...	...	...	...	...	...	...	...
Cotton mills[b]	799	804	832	821	788	791	796	784	776	755	756	755	746
Coal mines[c]	417	433	414	407	408	394	383	375	393	370	372	387	375
Public sector[d]	7 809	8 312	8 789	9 263	9 542	9 727	9 656	9 727	9 802	9 810	...	...	...
Central government (incl. railways)	2 260	2 407	2 527	2 613	2 676	2 690	2 685	2 690	2 715	2 718	...	...	...
Others[d]	5 550	5 905	6 262	6 650	6 866	7 037	6 971	7 037	7 087	7 092	...	...	...
MALAYSIA: West[e] *(thousands)*													
Estate[f]	317	317	308	300	291	...	...	...	...	...	...	...	...
Rubber	286	286	276	270	250	...	...	...	...	...	...	...	...
Tin mining	34	33	35	43	48	...	...	...	...	...	...	...	...
Government	208	234	229	244	248	...	...	...	...	...	...	...	...
PHILIPPINES													
Index of employments[g] *(1963 = 100)*													
All industries	97	100	102	106	105	*106*	106	107	107	108	...	...	...
Mining	99	100	100	108	109	*100*	109	111	110	110	...	...	...
Manufacturing	98	100	102	105	104	*104*	103	106	108	105	...	...	...
SINGAPORE[h] *(thousands)*													
All industries	123	129	132	136	144	152	152	...	158	...	160	...	...
Agriculture, forestry and fishing	1	1	1	1	2	3	3	...	3	...	1	...	...
Manufacturing	48	52	53	55	58	65	65	...	70	...	73	...	...
Construction	14	15	17	18	17	15	15	...	15	...	14	...	...
Electricity, gas, water and sanitary services	8	8	8	8	9	10	10	...	10	...	10	...	...
Commerce	11	11	11	11	13	12	12	...	13	...	13	...	...
Transport, storage and communication	22	23	23	24	24	24	24	...	25	...	25	...	...
Services	17	17	17	17	20	23	23	...	23	...	23	...	...
THAILAND[b] *(thousands)*													
Mining	19.2	20.3	23.0	29.2	36.4	45.7	46.2	47.6	...	...	...	...	...
AUSTRALIA[f] *(thousands)*													
All Industries	3 214	3 315	3 461	3 604	3 703	3 775	3 784	3 829	3 867	3 900	3 914	3 934	3 963
Manufacturing[j]	1 106	1 139	1 199	1 246	1 252	1 271	1 274	1 285	1 296	1 299	1 304	1 310	1 316
Building and construction	281	287	296	306	317	306	307	301	312	318	318	318	320
Transport and storage	202	204	211	217	223	224	224	226	227	228	229	230	231
Commerce and finance	697	723	755	786	808	825	824	841	842	846	847	856	869
Public authority and community services[k]	527	551	579	608	641	670	674	678	693	705	711	714	717
JAPAN[m] *(millions)*													
All Industries	45.7	46.1	46.8	47.5	48.5	49.9	50.4	49.8	47.7	51.2	50.9	51.0	50.5
Agriculture, forestry and hunting	13.1	12.4	12.0	11.5	11.1	9.7	11.8	9.6	7.6	10.4	10.2	10.3	9.3
Mining	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Manufacturing	10.7	11.1	11.4	11.6	11.9	12.9	12.7	12.9	13.0	13.1	13.0	13.0	12.9
Construction	2.7	2.7	2.9	3.1	3.3	3.6	3.4	3.8	3.7	3.6	3.7	3.8	3.9
Commerce	8.5	9.0	9.3	9.6	10.0	11.0	10.3	10.9	11.0	11.2	11.1	10.9	11.0
Transportation, communication and other public utilities	2.7	2.8	2.9	3.0	3.2	3.4	3.3	3.4	3.2	3.3	3.4	3.3	3.3
Services (non-government)	5.6	5.7	5.9	6.3	6.6	6.8	6.6	6.8	6.9	7.2	7.1	7.2	7.4
NEW ZEALAND[n] *(thousands)*													
All industries	609	624	646	672	699	722	714	717	721	713	712	713	...
Primary[p]	11	11	11	11	11	12	12	*12*	11	12	13	13	...
Manufacturing	211	215	226	236	246	255	246	248	251	248	243	243	...
Building and construction	56	56	57	60	64	65	62	61	60	59	59	59	...
Transport and communication	66	69	69	71	72	74	73	*73*	74	73	73	73	...
Commerce[q]	119	122	126	131	135	139	138	140	141	139	137	139	...

Note: Unless otherwise stated, the data refer to the total number at work at a specified date in each month or quarter. For certain countries, however, the data refer to the average number of employed in the period.

a. (i) Employed persons from Labour Force Survey, for population of 15 years and over; (ii) Mining included under secondary industry; (iii) Annual figures; October for 1963, averages of Jan, Apr, Jul and Oct since 1964; quarterly figures relate to first month of each quarter.

b. Daily averages.

c. Average daily employment in all coal mines governed by the India Mines Act. Monthly figures are slightly short of total coverage.

d. End of period. For 'others' comprising state government, quasi-government and local bodies.

e. Annual figures relate to July.

f. Comprising rubber, oil palm, coconut, tea and pineapple estates.

g. Comprising all full and part-time employees who were on the payroll i.e., who worked during, or received pay for, the pay period ending nearest the 15th of the month. Excluding proprietors, self-employed persons, domestic servants and unpaid workers.

h. Workmen and industrial clerks. Annual figures relate to September; quarterly figures relate to March and September for first and third quarter respectively.

i. Wage and salary earners in civilian employment (excluding wage earners in rural industry, female private domestics and Defence Forces). Annual figures relate to June.

j. Includes employees engaged in selling and distribution, etc., as well as those occupied directly in manufacturing activity.

k. Includes Law and Order, Religion and Social Welfare, Health Services Education and other community and Business Services.

m. Average for the week ending on the last day of the month, except for December when the work prior to holiday seasons was chosen.

n. Annual figures relate to end of April; monthly figures relate to the 15th of each month.

p. Excludes farming, fishing and hunting.

q. Including wool stores.

5. NATIONAL INCOME AND GROSS NATIONAL PRODUCT

A. National income. B. Gross national product at market prices

Billions

Year	Brunei *(Malaysian dollar)*		Burma *(kyat)*		Cambodia *(riel)*		Ceylon *(rupee)*		China			Fiji *(Fiji dollar)*	India *(rupee)*		Indo-nesia *(rupiah)*
									mainland *(yuan)*	Taiwan *(NT dollar)*					
	A	B	A	B	A′	B[a]	A	B	A[b]	A	B	B[c]	A	B	A[d]
1951 . . .	...	...	3.92	4.45	...	...	4.44	4.75	50	10.5	12.3	...	100	...	...
1952 . . .	...	...	4.33	4.95	...	13.3	4.30	4.49	61	14.7	17.2	...	98	...	...
1953 . . .	...	...	4.65	5.29	...	13.5	4.38	4.68	70	19.5	23.0	50.8	105	...	...
1954 . . .	...	...	4.78	5.52	...	15.0	4.55	4.95	74	20.8	25.2	...	96	...	...
1955 . . .	0.22	0.24	4.91	5.66	...	14.7	5.17	5.55	79	24.7	30.1	...	100	...	...
1956 . . .	0.24	0.26	5.12	5.88	...	16.7	4.75	5.33	89	28.1	34.5	...	113	...	...
1957 . . .	0.25	0.27	5.35	6.28	...	17.8	4.95	5.55	93	32.4	40.3	61.1	114	...	...
1958 . . .	0.23	0.25	5.40	6.31	...	18.7	5.27	5.89	125	35.9	44.8	...	126	...	387.7
1959 . . .	0.23	0.25	5.63	6.55	...	20.6	5.63	6.32	152	41.6	51.7	...	130	...	389.1
1960 . . .	0.19	0.20	5.92	7.06	...	21.9	5.92	6.64	169	50.8	62.6	...	135	151	391.8
1961 . . .	...	...	6.10	7.22	...	22.0	5.94	6.65	...	57.0	69.8	...	143	162	408.2
1962 . . .	...	...	6.00[r]	7.03[r]	20.0	23.6[r]	6.16	6.96	...	61.2	76.5	82.0	152	174	405.8
1963 . . .	...	...	6.71[r]	7.92[r]	21.9	26.2[r]	6.49[r]	7.30[r]	...	70.5	87.3	108.5	176	201	403.6
1964 . . .	...	...	6.45[r]	7.60[r]	23.2	27.5	6.85[r]	7.63[r]	...	84.7	102.5	115.1	204	233	422.9
1965 . . .	...	...	7.15	8.42	24.7	30.4	6.99[r]	7.86[r]	...	91.9	113.1	119.1	211	243	422.3[r]
1966 . . .	...	...	7.06	8.29	26.5	32.0	7.22	8.07	...	101.9	125.5	123.4	242	...	441.8[r]
1967 . . .	...	...	7.28	8.59	...	...	7.64	8.70	...	116.2	144.1	132.0	...	...	...
1968 . . .	...	...	8.40	9.80	...	...	...	...	...	132.9	166.2	140.0	...	...	...

Year	Iran[r] *(rial)*		Korea, Republic of *(won)*		Malaysia[e] *(Malaysian dollar)*		Nepal *(rupee)*	Pakistan *(rupee)*		Philippines[r] *(peso)*		Singa-pore[r] *(singa-pore dollar)*	Thailand *(baht)*		Viet-Nam, Republic of *(piastre)*	
	A	B	A	B	A	B	B[f]	A	B[g]	A	B	B[f]	A	B	A	B
1951 . . .	...	...	...	...	...	...	...	21.1	22.5	6.2	7.1	...	25.3	28.2	...	...
1952 . . .	...	...	...	...	...	...	...	20.4	21.8	6.5	7.4	...	26.3	29.5	...	...
1953 . . .	...	...	44	48	...	...	...	20.4	21.8	6.9	7.9	...	28.6	32.2	...	...
1954 . . .	...	...	60	67	...	...	...	19.7	21.1	7.1	8.2	...	28.2	32.0	...	...
1955 . . .	...	...	106	116	3.81	4.76	...	21.1	22.7	7.7	8.8	...	34.8	39.3	...	...
1956 . . .	...	...	140	152	3.94	4.84	...	24.8	26.6	8.4	9.7	1.96	36.5	40.9	...	...
1957 . . .	...	...	180	198	4.08	4.95	...	26.5	28.4	9.2	10.6	2.09	40.1	45.2	...	...
1958 . . .	...	...	185	207	3.94	4.76	...	26.1	28.0	9.8	11.2	2.15	41.6	47.0	...	...
1959 . . .	244.7	282.6	193	221	4.31	5.32	...	29.3	31.4	10.7	12.2	2.07	44.4	50.3	...	...
1960 . . .	272.2	314.5	216	247	4.69[r]	5.86[r]	...	32.4	34.8	11.4	13.0	2.16	48.9	55.7	68.7	81.8
1961 . . .	289.7	332.7	265	299	4.80[r]	5.89[r]	...	34.0	36.5	12.3	14.2	2.47	52.3	59.9	69.5	84.5
1962 . . .	308.6	353.6	303	349	5.05[r]	6.20[r]	3.68	36.0	38.6	13.5	15.7	2.57	56.9	65.2	78.0	93.8
1963 . . .	321.3	371.1	432	488	5.37[r]	6.58[r]	...	38.4	41.3	15.5	18.1	2.91	58.8	68.9	83.5	100.3
1964 . . .	360.5	412.9	627	697	5.68[r]	6.96[r]	...	42.5	45.5	16.5	19.5	3.00	62.8[r]	73.7[r]	95.2	114.5
1965 . . .	406.5	467.5	713	806	6.20[r]	7.62[r]	6.12	46.3	49.7	17.8	21.1	3.23	68.0[r]	81.3[r]	125.8	144.5[r]
1966 . . .	432.4	503.3	902	1 032	6.49[r]	8.03[r]	7.09	54.1[r]	58.2[r]	19.6	23.2	3.46	80.8[r]	96.8[r]	...	240.9
1967 . . .	484.4	563.5	1 073	1 245	...	...	7.65	58.5	62.8	21.3	25.4	3.81	86.4	105.6	...	352.0

Year	Australia *(A. dollar)*		Japan *(yen)*		New Zealand *(N.Z. dollar)*	
	A	B	A	B	A	B
1951 .	6.40	7.56	4 311	5 437	1.25	1.45
1952 .	7.04	8.22	5 222	6 237	1.32	1.52
1953 .	7.47[r]	8.86	5 852	7 344	1.47	1.68
1954 .	8.01	9.59	6 488	7 835	1.60	1.86
1955 .	8.64	10.38	7 182	8 785	1.69	1.97
1956 .	9.32	11.27	7 989	9 892	1.77	2.06
1957 .	9.19	11.41	9 135	11 206	1.87	2.18
1958 .	9.90[r]	12.24	9 424	11 518	1.92	2.27
1959	10.98[r]	13.55	10 750	13 377	2.08	2.43
1960 .	11.63	14.38	13 009	16 047	2.24	2.62
1961 .	11.97[r]	14.74[r]	15 414	19 308	2.32[r]	2.72
1962 .	12.98[r]	15.95[r]	17 215	21 190	2.50[r]	2.92
1963 .	14.47[r]	17.72[r]	19 981	24 726	2.74[r]	3.20
1964 .	15.94[r]	19.57[r]	22 580	28 586	3.00[r]	3.49[r]
1965 .	16.58[r]	20.54[r]	25 014	31 349	3.23[r]	3.74
1966 .	18.22[r]	22.48[r]	29 249[r]	36 702[r]	3.37[r]	3.91[r]
1967 .	19.20	23.84	34 594	43 117	3.45	4.04

General notes: National income (net national product at factor cost) is the value at factor cost of the product, after deduction of provisions for the consumption of fixed capital attributable to the factors of production supplied by normal residents of the given country.

Gross national product at market prices is the market value of the product, before deduction of provisions for the consumption of fixed capital attributable to the factors of production supplied by normal residents of the given country.

Net domestic product at factor cost is the value at factor cost of the product, after deduction of provisions for the consumption of fixed capital attributable to the factors of production supplied by resident producers of the given country.

Gross domestic product at market prices is the market value of the product, before deduction of provisions for the consumption of fixed capital, attributable to factor services rendered to resident producers of the given country.

Time reference: Brunei, Cambodia, Ceylon, China (mainland and Taiwan), Fiji, Indonesia, Republic of Korea, Malaysia. ·Philippines, Singapore, Thailand and Republic of Viet-Nam: calendar years; Afghanistan and Iran: fiscal years beginning 21 March; India, Japan and New Zealand: fiscal years beginning 1 April; Nepal: fiscal years ending 15 July; Australia and Pakistan: fiscal years beginning 1 July; Burma: fiscal years ending 30 September, of year stated.

a. Gross domestic product at market prices of 1962 from 1952 to 1961. Gross domestic product at current market prices from 1962.

b. Total net value added at 1952 prices originating from agriculture, industry construction, goods transport and communication and trade only.

c. Gross domestic product at factor cost. (Million Fiji dollars)

d. National income at 1960 prices.

e. West Malaysia only.

f. Gross domestic product at market prices.

g. Gross national product at factor cost.

6. INDUSTRIAL ORIGIN OF NET DOMESTIC PRODUCT

Country, currency, and year	Total	Agriculture, forestry, fishing	Mining	Manufacturing	Construction	Transportation, communication, utilities	Wholesale and retail trade	Ownership of dwellings	Public administration and defence	Other services
BRUNEI[a] *(million Malaysian dollars)*										
1958	364.5	7.0	305.0	3.2	4.8	...	22.2	...	20.4	1.9
1959	353.9	12.2	297.0	3.3	4.0	1.2	15.7	...	18.3	2.2
1960	302.6	14.2	243.1	3.5	3.6	2.1	15.7	...	18.0	2.4
BURMA[a] *(million kyats)*								[b]		[b]
1961	7 232	2 343	60	1 022	217	314	1 875	...	654	747
1962	7 706	2 479	67	1 134	231	313	2 014	...	686	782
1963	8 117	2 642	69	1 300	236	312	2 045	...	733	780
1964	7 715	2 526	73	1 157	230	314	1 870	...	780	765
CAMBODIA[c] *(billion riels)*								[b]		[b]
1962	23.7	9.8	—	2.0	1.4	1.1	5.1	...	3.1	1.2
1963	25.5	10.5	0.1	2.2	1.5	1.2	5.4	...	3.3	1.3
1965	30.4	12.7	—	3.2	1.3	0.9	6.9	...	3.6	1.8
1966	32.1	13.1	—	3.3	1.7	1.1	7.3	...	3.9	1.7
CEYLON[d] *(million rupees)*										
1962	6 531	2 985	9	360	497	524	621	216	464	857
1963[r]	6 870	2 992	11	383	477	690	752	228	370	969
1964[r]	7 227	3 119	14	422	466	740	825	234	371	1 037
1965[r]	7 338	3 086	15	470	475	761	821	240	383	1 087
1966	7 612	3 090	18	525	500	815	899	246	398	1 120
1967	8 102	3 253	19	620	555	846	920	253	427	1 209
CHINA (mainland) *(million yuan)* [e]										
1952	61 130	36 189	——11 003——		1 834	2 445	9 659	...	...	...
1956	88 750	42 689	23 430		4 970	3 905	13 756	...	...	...
CHINA (Taiwan) *(million New Taiwan dollars)*										
1962	61 344	17 891	1 561	10 516	2 539	3 836	8 847	4 176	7 645	4 333
1963	70 636	18 844	4 489	13 817	2 773	4 135	10 956	4 767	8 562	5 293
1964	84 843	23 510	1 559	17 090	3 154	4 945	13 394	5 209	9 787	6 195
1965	92 220	24 797	1 904	17 268	3 691	5 889	15 228	5 515	10 615	7 313
1966	102 188	26 340	2 229	19 547	4 236	7 045	16 422	6 045	12 186	8 138
1967[r]	116 446	28 336	2 663	23 249	4 907	7 771	18 251	6 850	15 171	9 248
1968	133 347	30 972	2 583	28 257	5 992	9 036	21 189	7 706	17 218	10 394
FIJI[d] *(million Fiji dollars)*										
1963	108.5	44.6	1.8	13.3	5.7	8.9	10.4	7.2	5.9	10.7
1964	115.1	42.1	1.8	14.9	7.0	10.3	12.8	7.5	6.5	12.2
1965	119.1	41.5	2.1	14.9	6.4	8.4	19.6	12.2	8.4	5.5
1966	123.4	40.9	2.0	15.0	7.3	9.7	18.9	13.9	9.4	6.2
INDIA *(billion rupees)*							[f]			
1962	152.9	74.8	1.8	22.4	7.0	8.3[r]	14.9	4.4	6.8	12.4[r]
1963	176.8	87.9	2.0	26.1	8.0	9.2[r]	17.0	5.1	8.0	13.5[r]
1964	205.7	105.2	2.1	28.8	9.1	10.1[r]	20.7	5.5	9.2[r]	15.2
1965	212.3	102.0	2.4	30.8	9.9	11.1	22.3	5.9	10.6	17.2[r]
1966	243.9	120.5	2.6	33.8	10.8	12.1	26.5	6.2	12.0	19.4
INDONESIA[g] *(billion rupiah)*										
1962	410.3	217.0	12.9	51.5	7.5	15.0	63.1	7.9	8.9	26.6
1963	408.0	207.3	13.3	50.4	7.6	15.6	68.3	8.0	11.3	26.3
1964	427.1	217.5	13.9	50.7	7.7	15.4	73.4	8.3	12.6	27.6
1965[r]	426.6	224.7	15.3	37.9	7.9	15.4	74.4	8.3	14.6	27.7
1966[r]	441.8	230.4	14.6	39.8	8.1	15.7	73.1	8.3	27.0	28.2
IRAN[dr] *(billion rials)*	[h]									
1959	281.0	89.3	0.6	71.9	11.4	25.2	24.5	15.9	23.4	18.6
1960	316.5	93.1	0.6	78.4	13.8	27.5	28.3	18.1	24.8	21.5
1961	337.3	93.4	0.7	86.3	14.0	26.8	32.8	20.0	26.3	23.8
1962	363.1	101.5	0.9	96.8	13.1	29.3	35.1	21.0	28.8	24.9
1963	382.2	98.4	1.0	111.3	14.2	29.8	38.8	21.6	34.9	27.5
1964	419.0	106.6	1.1	117.6	16.5	30.2	45.8	23.0	41.1	31.5
1965	475.3	121.5	1.4	136.1	20.9	30.7	51.3	24.6	52.7	34.7
1966	507.1	124.6	1.6	151.9	22.4	34.0	52.5	26.9	57.3	38.4
1967	571.6	126.9	1.6	181.0	28.3	32.9	58.2	29.2	64.5	41.6
KOREA, REPUBLIC OF[d] *(billion won)*										
1962	318.98	126.69	6.97	40.40	11.46	19.65	33.18	17.92	26.54	36.17
1963	454.55	204.59	8.28	61.87	14.48	22.49	50.42	20.96	28.08	43.38
1964	658.68	319.01	12.31	97.56	19.95	27.62	71.65	24.58	33.64	52.36
1965	751.14	310.26	14.66	129.01	27.29	38.37	98.23	27.20	39.94	66.18
1966	946.37	370.60	16.47	161.52	37.49	58.12	128.70	32.38	53.84	87.25
1967	1 124.54	396.97	20.48	193.34	49.34	79.60	156.84	42.55	67.15	117.27

6. INDUSTRIAL ORIGIN OF NET DOMESTIC PRODUCT *(Cont'd)*

Country, currency, and year	Total	Agriculture, forestry, fishing	Mining	Manufacturing	Construction	Transportation, communication, utilities	Wholesale and retail trade	Ownership of dwellings	Public administration and defence	Other services
MALAYSIA *(million Malaysian dollars)*										
EAST: Sarawak										
1955[a]	375.4	231.3	38.7	1.2	9.5	14.0	32.6	5.0	15.4	27.7
1961	408.5	185.6	34.5	33.4	10.5	25.3	41.8	23.3	28.2	25.9
WEST[dr]										
1960	5 197	1 963	306	452	158	259	808	245	339	667
1961	5 268	1 842	381	428	191	268	839	255	336	728
1962	5 496	1 825	391	472	240	285	875	264	342	802
1963	5 862	1 847	419	533	274	304	950	277	373	885
1964	6 255	1 848	502	612	289	332	1 002	290	428	952
1965	6 844	1 956	598	701	315	380	1 065	298	493	1 038
1966	7 180	2 037	551	783	320	401	1 117	303	537	1 131
NEPAL[a] *(million rupees)*										
1962	3 709	2 393	17	450	141	38	183	338	77	72
1965	5 241	3 443	20	562	172	92	208	423	82	239
1966	7 118	4 676	29	763	234	139	344	575	101	257
PAKISTAN *(million rupees)*										
1962	36 098	18 764	99	3 826	1 108	2 093	4 586	1 488	1 482	2 652
1963	38 540	19 072	120	4 222	1 730	2 288	5 007	1 548	1 727	2 826
1964	42 449	20 824	144	4 655	2 005	2 574	5 541	1 683	1 925	3 098
1965[r]	46 299	22 171	149	5 149	2 029	2 932	6 037	1 754	2 702	3 376
1966[r]	54 138	26 000	156	5 710	2 332	3 530	7 169	2 003	3 317	3 921
1967	58 471	28 129	163	6 292	2 592	3 803	7 710	2 078	3 473	4 231
PHILIPPINES[r] *(million pesos)*								[b]		[b]
1962	13 557	4 175	175	2 592	448	625	1 655	...	1 019	2 868
1963	15 613	4 980	182	3 084	584	671	1 786	...	1 221	3 105
1964	16 598	5 209	188	3 146	661	712	1 953	...	1 370	3 359
1965	17 917	5 729	235	3 213	759	783	2 080	...	1 502	3 616
1966	19 709	6 403	310	3 472	754	865	2 287	...	1 646	3 972
1967	21 508	7 048	346	3 773	805	918	2 459	...	1 757	4 402
THAILAND[a] *(million baht)*										
1962	65 307	24 307	979	7 437	2 720	4 817	11 574	2 857	3 032	7 585
1963	68 962	25 110	1 062	7 874	3 378	4 988	12 034	3 019	3 303	8 193
1964[r]	73 809	24 609	1 387	8 704	3 749	5 820	13 896	3 240	3 504	8 900
1965[r]	81 285	26 090	1 889	10 046	4 284	6 594	15 003	3 550	3 738	10 092
1966[r]	96 811	33 942	2 102	11 629	5 274	7 333	17 001	3 871	3 988	11 671
1967	105 534	32 243	2 127	13 800	6 061	8 175	21 275	4 075	4 459	13 320
VIET-NAM, REPUBLIC OF[dr] *(billion piastres)*	[h]									
1960	73.4	25.1	0.3	7.9	1.2	4.2	7.5	5.6	11.6	5.5
1961	74.2	24.8	0.3	8.7	1.1	4.7	7.8	5.5	12.6	5.8
1962	83.3	27.9	0.4	9.1	1.1	4.9	9.6	6.1	16.2	6.4
1963	88.7	28.8	0.3	10.3	1.3	4.9	10.3	6.3	17.6	7.0
1964	100.4	32.5	0.3	11.1	1.4	6.0	12.1	6.9	21.4	8.0
1965	128.3	37.4	0.3	13.8	1.8	7.3	14.4	7.6	30.1	9.6
AUSTRALIA[d] *(million Australian dollars)*	[h]									
1961[r]	13 378	1 639	229	3 758	1 040	1 509	2 000	677	543	1 985
1962	14 515	1 867	224	4 106	1 125	1 647	2 114	767	551	2 114
1963[r]	16 190	2 233	264	4 493	1 262	1 851	2 284	857	605	2 339
1964[r]	17 773	2 160	315	5 069	1 454	2 036	2 535	932	661	2 612
1965[r]	18 648	1 939	355	5 302	1 614	2 163	2 661	1 003	754	2 860
1966	20 390	...	...	...	...	...	...	...	...	...
JAPAN *(billion yen)*								[b]		[b]
1962	17 269	2 296	221	5 064	1 094	1 658	2 800	...	759	3 377
1963	20 052	2 444	219	5 817	1 315	1 939	3 374	...	894	4 049
1964	22 682	2 644	228	6 530	1 577	2 110	3 832	..	1 045	4 716
1965	25 112	2 925	243	6 933	1 771	2 201	4 299	...	1 164	5 575
1966[r]	29 349	3 355	262	8 103	2 106	2 677	5 031	...	1 295	6 521
1967	34 709	4 057	285	9 999	2 500	3 076	5 872	...	1 461	7 459
NEW ZEALAND[d] *(million New Zealand dollars)*										
1954	1 743	396	18	208	128	204	296	68	44	381
1959	2 266	466	22	512	196	276	364	142	174	114

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a. Gross domestic product at market prices.
b. Ownership of dwellings included under "Other services".
c. Gross domestic product at 1963 market prices for data of 1962-1963; and current prices for 1965 and 1966 estimates.
d. Gross domestic product at factor cost.
e. Total net value added at 1952 prices originating in agriculture, industry construction, goods transport and communication, and trade only.
f. Including storage, hotels and restaurants.
g. Net domestic product at 1960 prices.
h. Including statistical discrepancy.

NATIONAL ACCOUNTS

7. EXPENDITURE ON GROSS DOMESTIC PRODUCT

	Consumption expenditure		Gross fixed capital formation	Increase in stocks	Exports less imports of goods and services	Gross domestic product at market prices	Less indirect tax net of subsidies	Less depreciation	Net factor income from abroad	Net national product at factor cost (national income)
	Private	General government								
AFGHANISTAN *(million afghanis)*										
1958	37 493	922	1 970	...	−868[a]	39 527[b]	941	...	...	...
BURMA *(million kyats)*										
1965	7 370		740	540	−330	8 320	...	...	...	...
1966	7 600		830	−490	100	8 040	...	...	...	...
1967	7 240		880	−50	—	8 070	...	...	...	...
CAMBODIA *(billion riels)*										
1962	16.3	4.6	3.9	0.3	−2.1	23.6[c]	2.6	0.3	−0.2	20.0
1963	16.9	4.9	4.3	0.2	−0.9	26.2	2.7	0.7	−0.1	21.9
1964	17.5	5.9	3.6	0.7	−0.2	27.5	2.8	1.4	−0.1	23.2
1965	21.7	4.7	3.7	0.6	−0.3	30.4	3.7	1.5	...	25.2
1966	22.7	5.0	5.0	0.9	−1.6	32.0	4.1	1.6	−0.1	26.4
CEYLON *(million rupees)*										
1962	5 103	995	1 022	−10	−104	7 005	474	324	−46	6 161
1963[r]	5 402	980	1 099	−5	−128	7 348	478	332	−52	6 486
1964[r]	5 829	1 048	1 087	−136	−165	7 664	436	339	−36	6 852
1965[r]	5 845	1 121	1 019	−146	34	7 872	534	337	−15	6 986
1966	6 163	1 132	1 132	−30	−290	8 107	495	351	−37	7 224
1967	6 539	1 209	1 203	104	−296	8 759	657	410	−54	7 638
CHINA (Taiwan) *(million new Taiwan dollars)*										
1964	65 660	17 089	14 451	4 797	390	102 649	11 227	6 579	−157	84 686
1965	71 452	19 252	18 528	6 979	−3687	113 441	14 259	6 962	−329	91 891
1966	76 878	21 552	23 322	5 557	−970	125 825	15 797	7 840	−329	101 859
1967	86 833	25 407	29 409	5 721	−2625	144 361	19 015	8 900	−213	116 233
1968	97 927	29 173	36 220	4 036	−33	166 640	22 956	10 337	−482	132 865
FIJI *(million Fiji dollars)*										
1963	77.6	14.0	14.6	5.6	5.2	117.4	8.9	...	...	...
1964	84.0	14.5	17.9	8.5	—	126.7	11.6	...	...	...
1965	94.5	16.2	22.6	5.0	−8.2	131.2	12.1	...	...	...
1966	92.7	17.8	22.0	6.0	−4.0	134.2	10.8	...	...	...
1967	98.0	19.6	30.4	−0.5	−2.6	143.5	11.5	...	...	...
INDIA *(billion rupees)*										
1962	...	14.80	...	...	−3.53	174.82	12.65	9.30	−1.08	151.79
1963	...	19.16	...	...	−3.50	202.36	15.66	9.91	−1.16	175.63
1964	...	20.55	...	...	−4.76	234.56	17.84	11.00	−1.48	204.24
1965	...	23.76	...	...	−4.79	244.37	20.10	11.99	−1.64	210.64
1966	...	...	...	...	...	...	...	...	−2.32	241.57
IRAN *(billion rials)*										
1959	209.4	30.5	49.8	...	9.4	299.1	18.1	19.8	−16.5	244.7
1960	233.8	33.8	53.9	...	15.2	336.7	20.3	22.0	−22.2	272.2
1961	247.2	35.4	51.5	...	22.9	357.0	19.7	23.3	−24.3	289.7
1962	266.2	36.6	44.6	...	35.9	383.3	20.2	24.8	−29.7	308.6
1963	274.5	42.1	46.9	...	41.5	405.0	22.8	26.0	−33.9	321.3
1964	302.8	51.0	59.7	...	29.1	442.6	23.5	28.9	−29.7	360.5
1965	327.6	65.5	77.4	...	33.1	503.6	28.3	32.7	−36.1	406.5
1966	346.5	73.6	86.5	...	36.2	542.8	35.7	35.2	−37.5	432.4
1967	376.9	84.4	107.1	...	42.9	611.3	39.7	39.4	−47.8	484.4
KOREA, REPUBLIC OF *(billion won)*										
1962	293.79	49.62	48.62	−3.15	−40.90	345.40	26.42	18.89	3.18	303.27
1963	399.55	54.74	68.04	21.64	−55.72	484.63	30.08	26.31	3.33	431.57
1964	585.96	61.95	80.54	20.70	−54.47	691.54	32.86	36.93	5.25	627.00
1965	669.08	76.02	117.64	0.84	−60.32	798.20	47.06	45.73	7.65	713.06
1966	805.90	104.82	205.99	17.12	−101.01	1018.66	72.29	57.89	13.38	901.86
1967	973.55	132.17	264.00	8.20	−134.79	1223.19	98.65	73.36	21.95	1073.13
MALAYSIA *(million Malaysian dollars)*										
EAST:										
SABAH										
1962	214	56	73		−6	337	...	...	...	...
1963	229	75	92		−31	365	...	...	...	...
1964	244	79	112		−25	410	...	...	...	...
1965	259	97	129		−11	474	...	...	...	...
SARAWAK										
1962	321	78	93		−8	484	...	...	...	...
1963	343	93	102		−24	514	...	...	...	...
1964	360	109	112		−28	553	...	...	...	...
1965	385	120	125		−28	602	...	...	...	...
WEST										
1962	4 023[r]	927	1 130	71[r]	185	6 336[r]	840	307	−140	5 049[r]
1963	4 261	1 063	1 194	52[r]	172	6 742	880	332	−159	5 371
1964	4 476	1 223	1 226	56[r]	195	7 176	921	358	−214	5 683
1965	4 715	1 357	1 311	59[r]	439	7 881	1 037	385	−264	6 195
1966	4 956	1 538[r]	1 357	66	383[r]	8 300	1 120	414	−272[r]	6 494

7. EXPENDITURE ON GROSS DOMESTIC PRODUCT *(Cont'd)*

	Consumption expenditure		Gross fixed capital formation	Increase in stocks	Exports less imports of goods and services	Gross domestic product at market prices	Less indirect tax net of subsidies	Less depreciation	net factor income from abroad	Net national product at factor cost (national income)
	Private	General government								
NEPAL *(million rupees)*										
1961	3 465	103	——293——		−179	3 682	…	…	…	…
1964	4 765	123	525		−128	5 285	…	…	…	…
PAKISTAN *(million rupees)*										
1959	27 642	2 184	3 040	800	−832	32 834	1 362	2 097	−33	29 342
1960	31 265	2 168	4 315	290	−1 321	36 717	1 899	2 363	−32	32 425
1961	31 328	2 489	5 350	360	−897	38 630	2 108	2 443	−37	34 042
1962	34 022	2 471	5 646	380	−1 508	41 011	2 291	2 622	−78	36 020
1963	36 648	2 962	6 088	240	−1 777	44 161	2 762	2 859	−115	38 425
1964	39 851	3 141	7 625	810	−2 821	48 606	3 081	3 076	10	42 459
1965	44 173	4 818	6 987	−900	−2 051	53 027	3 347	3 381	10	46 309
1966	50 161	5 766	8 409	870	−2 805	62 401	4 208	4 055	10	54 148
1967										
PHILIPPINES[r] *(million pesos)*						c				
1962	12 286	1 380	2 710	372	−1 133	15 801	1 282	962	−80	13 477
1963	13 737	1 637	3 283	484	−93	18 203	1 426	1 164	−68	15 545
1964	15 525	1 829	3 985	441	−578	19 551	1 501	1 452	−92	16 506
1965	16 582	1 974	4 207	451	−211	21 193	1 552	1 724	−123	17 794
1966	18 080	2 189	4 575	430	−423	23 386	1 759	1 918	−140	19 569
1967	19 802	2 414	5 097	417	−710	25 636	1 968	2 160	−211	21 297
SINGAPORE *(million Singapore dollars)*										
1964[r]	2 290.3	289.8	421.0	…	…	3 001.1	145.9	…	…	…
1965[r]	2 444.2	314.5	475.8	…	…	3 234.5	169.7	…	…	…
1966	2 639.1	347.4	473.3	…	…	3 459.8	204.8	…	…	…
1967	2 882.9	406.6	518.3	…	…	3 807.8	208.8	…	…	…
THAILAND *(million baht)*						c				
1963	50 101	6 022	14 962	286	−2 242	68 962	6 365	3 738	−40	58 819
1964	52 595	6 846	16 942	4[r]	−1 149[r]	73 809	6 673	4 231	−79	62 826[r]
1965[r]	55 987	7 678	19 156	−193	−1 101	81 285	7 250	6 055	−11	67 969
1966[r]	61 752	8 687	23 131	3 009	−364	96 811	8 681	7 332	−8	80 789
1967	69 583	9 918	26 741	123	−1 174	105 535	10 447	8 760	99	86 426
VIET-NAM, REPUBLIC OF *(billion piastres)*										
1963	84.8	21.0	8.1	−0.5	−12.6	100.8	12.1	4.7	−0.4	83.5
1964	92.4	25.0	9.2	3.6	−15.2	115.0[r]	14.5	4.7	−0.5	95.2[r]
1965[r]	109.1	32.5	——17.1——		−16.8	141.9	——18.7——		2.6	125.8
1966	187.2	55.2	25.0		−35.2	232.2	…	…	8.7	…
1967	280.0	65.0	40.0		−45.0	340.0	…	…	12.0	…
AUSTRALIA *(million Australian dollars)*						c				
1962[r]	10 281	1 833	3 947	319	−125	16 234	1 719	1 255	−283	12 977
1963[r]	11 309	1 778	4 449	174	298	18 020	1 832	1 418	−299	14 471
1964[r]	12 198	2 041	5 167	681	−430	19 852	2 065	1 562	−286	15 939
1965[r]	12 912	2 383	5 638	232	−490	20 851	2 238	1 721	−316	16 576
1966[r]	13 814	2 690	5 788	494	−228	22 810	2 386	1 871	−329	18 224
1967	14 929	3 028	6 261	311	−618	24 214	2 620	2 019	−378	19 197
JAPAN *(billion yen)*						c				
1963	13 615	2 320	8 101	1 055	−294	24 798	1 920	2 970	−72	19 981
1964	15 510	2 685	9 402	949	141	28 687	2 190	3 702	−102	22 580
1965	17 539	3 086	9 889	423	510	31 447	2 271	4 122	−98	25 014
1966	19 790	3 510	11 584	1 402	515	36 801	2 505	4 796	−100	29 249
1967	22 606	3 946	14 552	2 062	66	43 232	2 884	5 713	−115	34 594
NEW ZEALAND *(million New Zealand dollars)*										
1962[r]	1 880	394	642	35	16	2 967	199	219	−46	2 503
1963[r]	1 997	417	709	86	28	3 239	224	232	−42	2 741
1964[r]	2 132	460	812	97	45	3 546	241	249	−59	2 997
1965[r]	2 333	516	908	142	−101	3 798	250	264	−54	3 230
1966[r]	2 381	566	963	138	−71	3 977	262	282	−66	3 367
1967	2 476	591	910	124	−6	4 094	296	295	−51	3 452

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a. Including net investment income from abroad.
b. Gross national product at market prices.

c. Including statistical discrepancy.

8. COMPOSITION OF GROSS DOMESTIC CAPITAL FORMATION

	Gross domestic capital formation	FIXED CAPITAL FORMATION									Increase in stocks
		By type of capital goods					By type of purchaser				
		Dwellings	Non-residential buildings	Other construction and works	Transport equipment	Machinery and equipment	Private enterprises	Public corporations	Government enterprises	General government	
BURMA *(million kyats)*											
1962	1 272	735			472		692	196	319		65
1963	1 649	728			610		717	287	334		311
1964	1 381	692			522		516	424	274		167
CAMBODIA *(billion riels)*		[a]									
1962	4.2	1.5	0.6	0.7	0.4	0.7	2.2	0.2	—	1.5	0.3
1963	4.5	1.5	0.9	0.9	0.4	0.6	2.4	0.2	—	1.7	0.2
1964	4.3	1.3	0.9	0.6	0.1	0.7	1.9	—	0.2	1.5	0.7
1965	4.3	1.4	0.3	1.0	0.3	0.7	2.3	0.4	—	1.0	0.6
1966	5.9	1.5	0.4	1.7	0.4	1.0	2.9	0.8	—	1.3	0.9
CEYLON *(million rupees)*				[a]							
1962	1 012	428		260	86	247	661		360		−10
1963[r]	1 079	428		288	93	289	715		384		−20
1964[r]	947	453		260	83	291	747		340		−140
1965[r]	864	428		272	90	230	631		388		−155
1966	1 162	495		276	113	282	768		397		−4
CHINA (Taiwan) *(million new Taiwan dollars)*											
1962	14 444	1 250	2 273	2 157	1 129	4 669	5 867	3 938		1 673	2 966
1963	15 226	1 887	2 424	2 349	1 133	5 309	7 096	4 225		1,781	2 124
1964	19 248	1 424	2 892[r]	3 000	1 327	5 808	8 635[r]	3 601		2 215	4 797
1965	25 507	1 861	3 069	2 793	1 829	8 976	12 133	3 985		2 410	6 979
1966	28 879	2 314	3 661	3 230	2 398	11 719	14 881	5 880		2 561	5 557
1967	35 130	3 321	5 919	2 974	3 261	13 934	18 382	8 116		2 911	5 721
INDIA *(billion rupees)*											
1959	25.34	15.65			7.11		13.08	3.23		6.45	2.58
1960	28.71	17.59			8.62		17.77	1.25		7.19	2.50
IRAN[r] *(billion rials)*	[b]										
1959	49.8	26.8			23.0		33.9	15.9			...
1960	53.9	32.8			21.1		38.1	15.8			....
1961	51.4	33.3			18.1		34.1	17.3			...
1962	44.6	30.9			13.7		29.9	14.7			...
1963	46.9	34.1			12.8		30.8	16.1			...
1964	59.7	39.8			19.9		40.8	18.9			...
1965	77.4	51.3			26.1		44.2	33.2			...
1966	86.5	55.3			31.2		49.5	37.0			...
1967	107.1	71.3			35.8		54.2	52.9			...
KOREA, REPUBLIC OF *(billion won)*											
1962	45.47	5.81	10.94	14.62	5.18	12.07	33.25		5.75	9.62	−3.15
1963	89.68	6.91	14.21	20.59	9.64	16.69	49.38		8.99	9.67	21.64
1964	101.24	18.42	10.48	24.58	7.64	19.42	62.49		9.84	8.21	20.70
1965	118.48	13.92	32.03	33.67	11.72	26.30	91.85		11.45	14.34	0.84
1966	223.11	21.18	39.03	53.38	25.41	66.99	159.95		21.16	24.88	17.12
1967	272.20	25.86	49.21	65.75	56.69	66.49	203.97		25.01	35.02	8.20
MALAYSIA *(million Malaysian dollars)*											
EAST: SARAWAK											
1961	75.7	17.9	8.7	23.8	6.2	19.1	41.1	34.6			...
WEST[r]				[c]							
1962	1 201	114	163	473	380		630	103	64	333	71
1963	1 246	130	202	502	360		710	90	63	331	52
1964	1 282	135	216	486	389		759	92	77	298	56
1965	1 370	133	281	469	428		785	111	86	329	59
1966	1 423	145	251	481	480		...	...	...	...	66

8. COMPOSITION OF GROSS DOMESTIC CAPITAL FORMATION *(Cont'd)*

	Gross domestic capital formation	FIXED CAPITAL FORMATION									Increase in stocks
		By type of capital goods					By type of purchaser				
		Dwellings	Non-residential buildings	Other construction and works	Transport equipment	Machinery and equipment	Private enterprises	Public corporations	Government enterprises	General government	
PHILIPPINES^{r} *(million pesos)*											
1962	3 082	425	393	332	583	977	...	...	...	...	372
1963	3 767	547	536	414	641	1 145	...	...	...	...	484
1964	4 426	696	666	333	861	1 429	...	...	...	...	441
1965	4 658	713	805	428	730	1 532	...	...	...	...	451
1966	5 005	710	738	486	1 077	1 564	...	...	...	...	430
1967	5 514	687	839	538	1 079	1 954	...	...	...	...	417
SINGAPORE *(million Singapore dollars)*	[b]										
1962^{r}	262.1	68.8	24.2	40.8	26.4	101.9	136.4	125.7			...
1963^{r}	327.3	82.5	48.8	48.4	19.2	128.4	161.6	165.7			...
1964^{r}	421.0	87.1	56.8	71.6	21.6	183.9	206.3	214.7			...
1965^{r}	475.8	96.2	66.3	95.4	31.8	186.1	259.8	216.0			...
1966	473.3	109.7	56.1	82.6	20.7	204.2	233.7	239.6			...
1967	518.3	126.7	81.3	78.2	23.4	208.7	293.4	224.9			...
THAILAND *(million baht)*			[a]								
1962	12 220	888	5 094		1 798	3 859	8 602	3 037			581
1963	15 248	1 592	6 101		1 991	5 278	11 263	3 698			286
1964^{r}	16 947	1 282	7 283		2 520	5 857	12 251	4 692			4^{r}
1965^{r}	18 963	1 630	8 197		3 054	6 274	14 553	4 603			–193
1966^{r}	26 140	1 502	10 721		3 571	7 337	17 827	5 304			3 009
1967	26 864	1 822	12 313		4 307	8 300	20 122	6 620			123
VIET-NAM, REPUBLIC OF *(million piastres)*											
1962	9 415	1,894		758	1 350	4 662	7,185		1,479		751
1963	7 644	2 780			1 323	3 995	8 098				–454
1964	12 742	3 107			1 736	4 312	9 155				3 587
1965	17 370	4 215			8,038		12 253				5 117
AUSTRALIA^{r} *(million Australian dollars)*											
1962	4 268	643	3 306				2 531	778		638	319
1963	4 623	815	3 634				2 884	846		719	174
1964	5 848	956	4 211				3 371	990		806	681
1965	5 870	967	4 671				3 654	1 104		880	232
1966	6 282	1 039	4 749				3 683	1 170		935	494
1967	6 572	1 152	5 109				3 968	1 307		986	311
JAPAN *(billion yen)*											
1962	7 475	1 050	2 885		3 321		5 057	963		1 236	219
1963	9 157	1 334	3.099		3 668		5 614	1 119		1 368	1 055
1964	10 351	1 676	3 485		4 129		6 668	1 163		1 571	949
1965	10 312	2 022	3 870		4 018		6 663	1 409		1 818	423
1966^{r}	12 986	2 343	...		...		7 815	1 658		2 111	1 402
1967	16 615	2 987	...		...		10 303	1 911		2 339	2 062
NEW ZEALAND^{r} *(million New Zealand dollars)*		[d]	[d]								
1962	677	118	166	361			387	255			35
1963	795	160	134	423			423	286			86
1964	909	188	170	451			500	312			97
1965	1 051	211	175	523			566	343			142
1966	1 101	205	178	580			592	371			138
1967	1 033	190	172	547			540	369			124

a. Including land.
b. Gross fixed capital formation.
c. Including land and planting of perennial crops.
d. Permit value.

9. INDEX NUMBERS OF AGRICULTURAL PRODUCTION

1952 — 1956 = 100

	Developing ECAFE	Afghanistan	Burma	Ceylon	China (Taiwan)	India	Indonesia	Iran	Korea, Republic of	Malaysia: West	Pakistan	Philippines	Thailand	Australia	Japan	New Zealand
ALL COMMODITIES																
1957	107	108	94	104	118	107	105	118	117	108	107	113	93	98	113	107
1958	111	115	109	108	124	111	108	119	122	108	106	113	108	119	118	114
1959	115	119	116	110	123	114	111	126	123	113	113	115	115	118	118	120
1960	120	122	116	118	123	120	111	122	121	121	116	123	130	122	118	122
1961	124	123	119	123	128	124	110	131	136	127	120	126	140	126	120	124
1962	125	127	130	128	127	124	118	130	122	127	120	135	146	134	130	130
1963	129	124	131	135	132	127	111	138	135	135	128	140	158	139	128	131
1964	132	130	140	143	145	129	119	135	171	137	128	139	157	144	133	135
1965	130	132	134	141	157	122	120	147	171	147	131	146	167	132	133	141
1966	131	126	117	139	163	121	123	147	185	156	130	156	201	154	139	145
1967	138	130	131	144	170	131	123	159	168	160	142	160	170	141	153	151
1968	144	132	139	145	174	138	128	170	168	177	148	157	184	168	158	156
FOOD																
1957	107	107	93	98	117	106	106	118	118	111	107	112	90	94	113	106
1958	111	114	111	101	123	111	111	119	124	113	106	112	105	120	119	111
1959	116	117	118	108	122	116	113	126	125	117	115	114	110	114	118	116
1960	121	120	118	120	122	120	115	119	124	135	119	121	124	123	120	118
1961	124	121	121	125	128	124	112	127	138	145	120	124	133	125	121	120
1962	125	122	132	131	126	124	122	128	123	144	120	131	144	139	132	125
1963	129	117	133	142	130	126	114	135	139	153	130	137	154	142	130	127
1964	132	125	142	159	144	128	124	130	175	148	130	136	150	149	134	133
1965	129	127	136	147	157	122	123	138	173	160	132	145	154	137	135	134
1966	130	122	120	141	163	121	127	143	185	168	130	155	185	167	141	138
1967	137	126	134	148	169	130	124	155	168	172	141	159	162	146	156	145
1968	144	127	141	149	172	139	131	165	168	186	149	156	177	183	161	152
CEREALS																
1957	102	106	88	109	111	102	102	119	111	121	104	100	78	63	108	101
1958	111	116	110	125	115	112	111	115	121	122	99	116	99	136	112	108
1959	117	118	117	125	113	118	111	128	125	109	115	121	97	111	117	130
1960	124	120	113	146	117	126	119	113	122	139	124	121	114	158	118	178
1961	125	120	116	147	123	128	112	122	137	152	124	128	120	135	115	189
1962	127	120	129	164	129	128	126	121	122	144	119	129	136	162	117	170
1963	131	108	131	167	128	132	109	135	133	156	136	127	148	170	103	189
1964	136	121	143	171	136	136	125	120	153	135	137	131	143	189	108	226
1965	127	122	135	124	142	118	125	132	146	161	139	134	139	140	107	212
1966	127	112	113	156	145	117	133	142	162	165	127	136	179	244	106	233
1967	141	118	130	189	147	140	126	169	151	160	146	150	147	144	118	264
1968	153	120	140	221	152	154	138	188	143	182	161	138	167	269	118	372
PER CAPUT FOOD PRODUCTION																
1957	100	102	89	91	106	100	99	108	111	102	99	102	82	88	109	99
1958	102	107	103	91	108	102	102	106	113	101	96	100	94	110	114	102
1959	104	108	108	95	103	105	101	109	111	101	100	98	95	102	113	104
1960	105	109	106	103	99	106	101	101	107	113	101	101	104	108	113	104
1961	105	108	107	105	100	107	96	105	116	117	99	101	108	107	113	104
1962	104	107	114	107	96	105	102	103	100	113	96	103	113	117	122	106
1963	104	100	112	113	96	104	93	105	110	116	101	104	118	117	119	105
1964	104	105	118	124	103	103	100	99	134	109	98	99	111	120	121	108
1965	100	105	110	112	108	96	96	102	129	115	97	103	111	109	121	107
1966	98	99	95	105	109	93	97	103	135	117	92	106	129	130	125	108
1967	100	100	104	108	111	98	92	108	119	116	97	105	109	112	137	111
1968	193	100	107	106	110	102	95	110	116	121	100	99	116	138	140	114
PER CAPUT CEREAL PRODUCTION																
1957	95	101	83	101	101	96	96	110	104	111	96	92	72	59	105	94
1958	102	109	102	113	100	104	102	102	110	108	89	103	88	125	107	99
1959	105	109	107	110	95	106	100	110	111	94	100	104	84	99	111	117
1960	108	108	102	126	95	111	105	95	105	116	105	101	96	139	112	157
1961	107	107	102	123	97	111	96	101	115	123	102	103	97	116	107	163
1962	106	104	111	134	98	108	106	97	100	112	95	101	107	137	108	143
1963	106	93	110	134	94	109	90	106	105	118	105	96	113	141	95	156
1964	107	102	118	134	97	110	100	91	118	100	103	96	106	153	98	183
1965	98	101	110	95	98	93	98	98	109	116	102	95	100	112	96	168
1966	95	91	90	116	97	90	102	102	118	115	90	93	125	190	95	182
1967	103	94	101	138	97	105	94	117	107	108	101	99	99	110	104	202
1968	109	94	106	157	97	113	101	125	99	118	108	88	110	203	102	280

Source: Food and Agriculture Organization of the United Nations.

General note: These indices are calculated by FAO on a uniform basis employing regionally constant weights. They differ from national index numbers produced by the countries themselves because of differences in concepts of production, coverage, weights, time reference of the production data and methods of calculation.

10. AREA AND PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES

	AREA *(1,000 hectares)*						PRODUCTION *(1,000 tons)*					
	1948-1952	1964	1965	1966	1967	1968	1948-1952	1964	1965	1966	1967	1968
RICE *(paddy)*												
Afghanistan	180	220	220	220	...	...	331	380	380	337	380	...
Brunei	3	3	3	3	3	...	6	3	3	3	3	...
Burma	3 757	4 976	4 848	4 516	4 800	...	5 481	8 508	8 055	6 636	7 714	...
Cambodia	1 679	2 377	2 344	2 182	2 020	2 376	1 635	2 760	2 500	2 376	2 457	3 521
Ceylon	336	528	427	520	560	...	479	1 054	756	955	1 147	...
China: mainland	26 819	30 100	31 000	31 000	32 000	...	58 188	85 000	89 000	88 000	92 000	...
Taiwan	762	765	773	789	787	837	1 681	2 943	3 076	3 117	3 162	3 275
Fiji	14	10	8	8	...	...	21	18	18	18	...	...
Hong Kong	16	9	9	9	6	...	37	12	21	17	12	...
India	30 092	36 364	35 273	35 251	36 722	...	33 383	58 551	45 983	45 657	56 787	...
Indonesia	5 876	6 987	7 348	7 668	8 000	...	9 441	12 628	14 031	14 503	14 800	...
Iran	*220*	364	370	375	394	400	*424*	800	845	875	900	945
Korea, Republic of △	934	1 195	1 228	1 231	1 246	...	3 385	5 344	4 731	5 297	4 869	...
Laos	718	916	916	930	930	...	530	735	740	754	637	...
Malaysia:												
East:												
Sabah	34	35	37	35	39	...	39	75	85	73	85	...
Sarawak	96	113	117	111	109	112	99	103	113	120	90	92
West	276	322	340	344	341	456	532	746	892	913	925	1 084
Nepal	*1 295*	1 125	1 100	1 030	1 100	...	2 460	2 201	2 207	2 007	2 300	...
Pakistan	9 003	10 584	10 754	10 480	11 309	...	12 399	17 780	17 726	16 410	19 005	...
Philippines	2 350	3 200	3 109	3 096	3 165	...	2 767	3 992	4 073	4 094	4 363	...
Thailand	5 211	5 971	5 960	6 949	5 601	...	6 846	9 559	9 199	11 975	9 595	...
Viet-Nam: Republic of	1 760	2 562	2 429	2 295	2 296	...	2 395	5 185	4 822	4 336	4 688	...
North	1 140	2 426	2 500	2 500	2 550	2 674	1 420	4 512	4 600	4 500	4 700	4 920
Australia	14	24	25	26	30	30	63	142	153	182	215	213
Japan △	2 996	3 260	3 255	3 254	3 263	3 300	12 736	16 343	16 116	16 552	18 770	18 900
WHEAT												
Afghanistan	2 000	2 345	2 345	2 345	2 500	2 600	1 700	2 250	2 282	2 033	2 200	2 250
Burma	14	80	111	152	134	130	4	54	72	97	67	73
China: mainland	23 049	25 500	27 100	27 000	27 400	27 400	15 913	25 500	26 000	25 700	28 000	28 000
Taiwan	14	9	11	14	12	...	13	20	23	29	24	...
India	9 290	13 499	13 460	12 656	12 828	14 916	6 087	9 853	12 290	10 424	11 393	16 567
Iran	*2 085*	3 700	4 000	4 200	4 400	4 800	1 879	2 600	2 900	3 190	4 000	4 400
Korea, Republic of	95	146	152	153	152	157	139	309	300	315	310	301
Mongolia	10	350	355	295	320	320	10	(335)	(320)	253	325	335
Nepal	128	140	124	118	126	130	117	139	152	147	159	178
Pakistan	4 218	5 076	5 371	5 210	5 417	6 061	3 685	4 196	4 625	3 951	4 393	6 477
Australia	4 620	7 251	7 088	8 427	9 191	10 764	5 161	10 040	7 067	12 699	7 548	14 288
Japan	745	508	476	421	367	322	1 375	1 244	1 287	1 024	997	1 012
New Zealand	51	83	74	81	93	127	139	274	250	292	348	442
BARLEY												
Afghanistan	346	350	350	350	350	350	269	380	380	375	375	375
India	3 128	2 774	2 684	2 633	2 825	3 326	2 384	2 038	2 523	2 377	2 348	3 469
Iran	*757*	1 200	1 200	1 200	1 200	1 300	*767*	900	1 000	1 000	1 020	1 270
Korea, Republic of	624	934	1 023	961	971	978	846	1 515	1 807	2 018	1 916	2 084
Mongolia	...	...	...	...	...	...	...	(11)	(9)	...	...	...
Pakistan	223	200	206	176	185	198	150	124	130	96	104	124
Australia	455	835	930	1 011	971	1 295	531	1 118	949	1 397	823	1 656
Japan	984	478	422	388	352	316	2 020	1 203	1 234	1 105	1 032	1 011
New Zealand	22	38	35	34	37	59	49	131	106	114	135	219
MAIZE												
Afghanistan	350	505	500	505	505	...	350	720	720	720	730	...
Burma	66	114	126	143	150	...	30	54	62	89	...	...
Cambodia	38	127	137	89	117	115	57	204	139	136	150	154
Ceylon	15	11	12	12	13	...	8	9	10	10	17	...
China: mainland	9 570	9 200	9 700	9 700	9 700	...	14 082	23 800	25 500	25 500	26 000	...
Taiwan	5	20	19	22	24	21	7	42	41	52	64	52
India	3 349	4 618	4 765	5 074	5 577	...	2 165	4 658	4 760	4 894	6 275	6 500
Indonesia	2 020	3 646	2 537	3 186	2 550	...	1 535	3 769	2 283	2 874	2 527	...
Iran	6	16	16	17	17	...	6	14	14	15	15	...
Korea, Republic of	24	43	49	42	50	...	14	35	40	34	60	...
Laos	18	40	40	40	40	...	12	19	23	20	22	...
Malaysia:												
East: Sabah	2	4	3	4	4	...	2	3	2	2	3	...
West	5	5	5	4	3	...	6	7	7	7	7	...
Nepal	460	437	438	420	440	...	829	854	855	824	850	...
Pakistan	394	490	546	557	611	647	384	531	543	590	795	...
Philippines	969	1 923	2 106	2 167	2 255	2 047	695	1 313	1 380	1 435	1 517	1 619
Thailand	34	541	562	644	645	...	31	935	1 021	1 173	1 200	1 300
Viet-Nam, Republic of	25	37	36	29	29	...	30	46	44	35	34	...
Australia	72	86	80	82	85	83	126	175	125	191	191	193
Japan	40	36	30	26	21	18	57	84	75	63	61	50
New Zealand	3	4	4	3	3	6	10	19	24	19	18	36

10. AREA AND PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES *(Cont'd)*

	AREA *(1,000 hectares)*						PRODUCTION *(1,000 tons)*					
	1948-1952	1964	1965	1966	1967	1968	1948-1952	1964	1965	1966	1967	1968
SUGAR CANE (Crop year)												
Afghanistan (beet)	4	4	*4*	*4*	*4*	...	30	31	60	*58*	*60*	...
Burma[a]	21	35	42	47	47	...	944	1 084	1 448	1 584	1 600	...
China: mainland[a] △	161	400	400	420	430	...	5 656	22 500	23 500	24 500	26 000	...
Taiwan[b]	107	111	106	90	96	...	5 767	9 490	8 924	6 744	8 128	...
Fiji	18	42	43	43	45	...	908	2 356	2 206	2 228	2 197	...
India[a] △	1 672	2 562	2 780	2 301	2 037	...	53 865	119 598	119 642	92 826	96 884	...
Indonesia[a]	45	119	115	126	125	125	3 538	8 360	9 170	8 180	8 720	8 130
Nepal[a]	4	9	11	9	10	...	80	126	192	147	170	...
Pakistan[a] △	304	647	751	817	671	739	10 063	24 999	29 981	30 182	26 371	28 612
Philippines[c]	160	328	298	288	306	...	6 684	16 300	13 282	15 277	15 525	...
Thailand[a]	57	161	140	160	150	...	990	5 074	4 480	5 070	4 500	...
Viet-Nam,[a] Republic of △	17	34	33	26	21	...	250	1 093	936	770	600	...
Australia[b]	112	190	204	225	224	231	6 686	15 312	14 382	16 953	17 025	19 103
Japan[a]	4	9	12	13	13	...	95	642	832	790	854	...
POTATOES												
Burma	8	16	15	14	8	...	29	50	46	34	21	...
China (Taiwan)	—	2	1	1	2	2	1	19	16	16	23	22
India	227	415	431	480	473	504	1 547	2 593	3 668	4 060	3 522	4 233
Iran	4	20	20	20	20	...	37	106	110	108	109	...
Korea, Republic of	42	47	60	60	58	...	302	570	581	688	566	...
Mongolia	...	3	3	3	3	...	2	25	27	27	...	...
Pakistan	17	70	74	78	89	96	139	460	575	647	768	901
Philippines	—	3	3	3	2	2	1	16	17	17	12	13
Australia	52	41	30	39	40	41	477	571	516	649	653	660
Japan	210	220	213	195	184	188	2 451	3 914	4 056	3 383	3 636	3 960
New Zealand	8	12	13	13	11	10	130	241	318	325	250	236
MILLET (M) AND SORGHUM(S)												
Burma M	199	142	144	145	133	...	70	49	36	41	26	...
Ceylon M	38	26	28	36	24	...	18	20	20	20	10	...
S	0.4	1	2	1	1	...	0.3	1	1	1	1	...
China (Taiwan) M	7	5	6	6	6	...	5	6	6	6	7	...
S	2	3	4	5	5	4	1	2	7	8	10	6
India M	16 605	18 676	18 263	19 553	...	...	6 064	8 304	6 487	7 774	...	...
S	15 894	17 938	17 504	18 001	...	...	5 981	9 749	7 527	8 944	...	...
Iran M	15	17	17	17	17	...	16	18	18	18	18	...
S	9	10	10	10	10	...	8	10	10	10	10	...
Korea, Republic of M	191	141	128	98	88	...	60	76	63	59	43	...
S	16	16	15	14	11	...	7	8	7	8	6	...
Nepal M + S	51	96	100	105	110	...	52	65	120	120	130	...
Pakistan M	918	911	840	837	914	761	342	446	370	371	414	...
S	505	586	594	559	595	566	239	293	274	277	291	...
Australia M	7	22	25	26	30	...	7	24	22	32	30	...
S	57	140	175	203	164	199	75	195	195	319	267	373
Japan M	113	27	22	18	14	...	127	42	34	28	22	...
S	5	1	1	1	1	...	6	1	1	1	1	...
SWEET POTATOES AND YAMS												
Cambodia	2	4	3	2	1	2	31	30	21	13	13	16
Ceylon	15	14	14	15	18	...	37	68	51	63	73	...
China (Taiwan)	232	246	234	235	236	240	2 096	3 348	3 131	3 460	3 720	3 446
Hong Kong	4	2	2	1	1	...	18	19	20	12	11	...
India	146	130	155	175	201	...	894	855	1 090	1 334	1 549	...
Indonesia	249	620	419	453	360	...	1 666	3 958	2 723	2 308	2 023	...
Korea, Republic of	41	133	152	148	137	...	482	2 651	2 997	2 690	1 671	...
Malaysia:												
East: Sabah	1	0.4	1	1	1	...	12	3	4	4	4	...
West	19	9	9	8	8	...	198	100	100	90	90	...
Philippines	113	146	139	132	130	...	465	725	701	687	683	...
Singapore	1	1	1	1	1	...	9	5	5	4	4	...
Thailand	9	27	27	27	27	...	64	180	196	180	190	...
Viet-Nam, Republic of	28	48	43	39	38	...	154	301	278	246	253	...
Japan	402	297	257	243	214	186	6 074	5 875	4 955	4 810	4 031	3 710
CASSAVA												
Cambodia	1	1	2	1	2	3	6	15	30	19	23	40
Ceylon	63	45	53	48	69	...	204	369	328	289	346	...
China (Taiwan)	10	17	18	17	19	21	101	242	265	264	299	311
Fiji	6	7	7	7	7	...	48	80	80	80	80	...
India	234	244	241	271	279	...	1 255	2 823	3 032	3 467	3 715	...
Indonesia	873	1 579	1 554	1 565	1 519	...	6 817	12 262	11 274	10 845	...	...
Philippines	49	93	90	87	83	...	290	646	614	529	514	...
Thailand	14	105	101	157	130	...	269	1 557	1 475	2 323	1 800	...
Viet-Nam, Republic of	18	43	43	39	37	...	180	289	236	280	262	...

10. AREA AND PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES *(Cont'd)*

	AREA *(1,000 hectares)*						PRODUCTION *(1,000 tons)*					
	1948-1952	1964	1965	1966	1967	1968	1948-1952	1964	1965	1966	1967	1968
SOYBEANS												
Cambodia	9	12	8	8	9	8	6	8	5	7	8	7
China: mainland	*8 994*	13 660	13 370	13 370	14 150	...	*7 232*	11 180	10 970	10 970	11 100	10 670
Taiwan	22	51	53	53	52	49	13	58	66	63	75	73
Indonesia	380	571	598	589	660	651	270	392	356	353	484	455
Korea, Republic of	244	281	311	276	311	326	136	163	174	161	201	222
Thailand	17	34	18	66	65	...	14	31	19	58	59	...
Viet-Nam, Republic of	...	6	5	7	8	...	...	4	4	8	6	...
Japan	346	217	184	169	141	122	375	240	230	199	190	168
GROUND NUTS (in shell)												
Burma	277	529	518	449	550	...	154	345	288	278	389	..
Cambodia	7	19	24	23	21	21	4	19	24	21	21	22
China: mainland	*1 528*	1 880	1 940	1 980	1 980	1 900	*2 057*	2 291	2 300	2 360	2 450	2 200
Taiwan	80	101	104	98	98	95	57	116	126	115	136	99
India	4 379	7 216	7 428	7 299	7 554	...	3 197	5 888	4 231	4 411	5 829	5 487
Indonesia	285	373	372	383	351	...	283	436	465	488	400	...
Pakistan	3	26	34	51	76	57	2	33	44	71	113	82
Philippines	27	24	24	26	24	27	19	13	14	14	13	15
Thailand	63	87	95	154	100	104	60	120	131	217	130	150
Viet-Nam, Republic of	5	35	32	31	30	...	3	37	33	34	34	...
Australia	9	21	19	23	28	24	9	11	11	28	42	32
Japan[d]	16	63	67	65	62	59	21	131	137	139	136	122
COTTON SEED												
Afghanistan	*21*	150	121	121	121	120	*14*	52	50	42	38	40
Burma	118	232	204	173	190	190	37	45	30	31	43	42
Cambodia	0.4	6	6	5	2	5	0.2	4	3	3	2	3
India	5 659	8 271	7 942	7 836	8 047	8 000	1 150	2 134	1 994	1 994	2 312	2 168
Indonesia	5	15	15	15	15	15	*2*	6	6	6	6	6
Iran	*133*	384	384	393	291	360	*53*	266	334	253	260	330
Korea, Republic of	129	23	19	19	17	17	42	8	8	9	8	8
Pakistan	1 245	1 481	1 564	1 609	1 799	1 756	522	762	778	914	1 004	1 040
Thailand	34	66	72	82	89	101	13	33	40	58	52	68
Australia	2	15	22	22	30	31	0.4	6	19	41	37	63
SESAME SEED												
Burma	371	703	479	478	500	...	44	100	62	57	83	...
Cambodia	3	15	12	15	8	...	1	10	8	10	5	...
Ceylon	12	15	15	10	11	...	4	7	7	5	6	...
China: mainland	*1 480*	*930*	*890*	*890*	*890*	...	*830*	*370*	*345*	*345*	350	...
Taiwan	5	5	6	6	6	...	2	2.3	3	2	3	...
India	2 182	2 513	2 480	2 793	2 687	...	429	493	425	416	*421*	315
Iran	11	7	7	7	7	...	9	6	6	6	6	...
Korea, Republic of	5	9	10	11	13	...	2	4	4	5	6	...
Pakistan	78	85	79	81	84	...	32.9	32	32	34	39	...
Thailand	16	16	25	25	24	...	8.1	13.0	18.0	18.0	17	...
Viet-Nam, Republic of	1	1	1	1	1	...	0.4	0.4	0.3	0.2	0.3	...
Japan	7	7	6	6	5	...	5	4	4	3	3	...
COPRA												
Ceylon	...	...	...	...	...	...	229.7	322.2	265.8	212	191	...
Fiji	...	...	...	...	...	...	35	42	30	26	25	...
India	...	...	...	...	...	...	*202*	264	266	270	274	...
Indonesia	...	...	...	...	...	...	*714*	467	483	528	495	...
Malaysia:												
East:												
Sabah	...	...	...	...	...	...	20	33	34	34	30	...
Sarawak	...	...	...	...	...	...	3	10	10	13	12	...
West	...	...	...	...	...	...	141	116	126	130	138	...
Philippines	...	...	...	...	...	...	*875*	1 428	1 447	1 607	1 333	1 290
Thailand	...	...	...	...	...	...	*15*	21	23	21	21	...
Viet-Nam, Republic of	...	...	...	...	...	...	16	25	25	22	23	...
Western Samoa	...	...	...	...	...	...	16	16	13	14	8	...
TOBACCO												
Burma	48	53	51	47	55	57	47	43	44	33	41	42
Cambodia	8	18	17	17	22	19	5	11	11	10	12	12
Ceylon	5	(7)	(7)	8	11	11	*3*	(4)	(4)	5	7	7
China (Taiwan)	6	9	(8)	8	10	11	8	19	16	15	18	21
India	333	441	394	372	424	398	247	360	346	298	353	344
Indonesia	148	134	171	183	197	226	64	52	77	88	95	110
Iran	*16*	(24)	(30)	26	20	16	*12*	19	25	20	22	18
Korea, Republic of	15	30	34	36	37	40	15	49	56	72	66	65
Laos	2	(5)	5	6	6	6	1	(3)	3	3	3	3
Nepal	...	8	7	8	8	...	...	9	5	5	5	...
Pakistan	69	85	91	102	117	116	70	104	110	137	178	169
Philippines	36	96	76	86	83	51	21	65	46	58	51	62
Thailand	33	51	70	83	83		27	63	76	88	90	...
Viet-Nam, Republic of	4	(10)	(9)	7	8	8	3	7	8	7	8	8
Australia (dried leaf)	2	12	11	10	9	10	2	17	13	14	14	12
Japan	52	82	86	(87)	86	83	90	212	193	198	209	204
New Zealand	2	2	2	2	2	2	2	4	4	3	3	3

10. AREA AND PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES *(Cont'd)*

	AREA *(1,000 hectares)*						PRODUCTION *(1,000 tons)*					
	1948-1952	1964	1965	1966	1967	1968	1948-1952	1964	1965	1966	1967	1968
TEA												
Ceylon △	228	240	240	242	242	...	140	219	228	222	221	...
China: mainland	87	190	190	190	190	...	60	159	159	159	159	...
Taiwan M	35	35	35	35	34	35	10	18	21	22	24	25
India △	315	338	342	345	348	...	273	372	366	376	382	392
Indonesia												
(on farm & estates) △	61	63	63	58	58	...	23	43	41	32	33	...
(on villages) △	65	*66*	70	*66*	66	...	26	45	49	43	45	...
Iran*	10	23	25	25	25	...	5	11	15	18	18	18
Malaysia: West	4	4	4	4	3	...	1	3	3	4	3	3
Pakistan △	30	36	37	38	42	...	22	29	27	29	30	28
Viet-Nam, Republic of △	4	10	10	8	7	...	4	5	6	5	4	...
North	2	12	12	10	10	...	1	4	4	3	3	...
Japan △	27	49	49	48	49	...	40	83	77	83	85	87
COTTON (lint)												
Afghanistan	*21*	150	121	121	121	120	7	26	25	21	19	20
Burma	118	232	204	173	190	190	19	23	15	15	21	21
Cambodia	...	6	6	5	2	5	...	2	2	2	1	2
China (mainland)	4 035	4 452	4 654	4 856	5 059	4 978	786	1 193	1 258	1 409	1 518	1 453
India	5 659	8 271	7 942	7 836	8 047	8 000	485	1 019	857	895	1 001	1 062
Indonesia	*5*	15	15	15	15	15	1	3	3	3	3	3
Iran	*133*	384	384	393	291	360	*26*	121	152	115	118	150
Korea, Republic of	129	23	19	19	17	17	22	4	4	5	4	4
Pakistan	1 245	1 481	1 564	1 609	1 799	1 765	245	380	417	457	520	532
Thailand	34	66	72	82	89	101	7	16	20	30	27	35
Australia	2	17	15	23	22	31	0.2	3	10	20	17	32
JUTE AND ALLIED FIBRES												
Burma	...	17	25	21	34	34	...	10	15	13	18	18
Cambodia	...	2	2	2	5	4	...	2	2	2	4	4
China: mainland[e]	103△	180	200	210	210	210	168	390	430	450	460	460
Taiwan	13	7	8	7	5	8	12	13	13	11	10	13
India: Jute	581	839	757	797	885	880	642	1 084	805	964	1 146	900
Mesta	178	360	339	322	314	320	86	285	231	220	203	163
Iran: Kenaf	4	4	6	7	7	7	3	2	3	5	5	5
Nepal	35	32	34	34	34	34	40	39	39	38	38	38
Pakistan	715	672	846	876	953	830	1 015	967	1 154	1 161	1 220	1 044
Thailand: Jute	3	5	8	10	9	9	2	7	9	11	10	9
Kenaf	8	215	273	524	280	150	9	303	29	657	280	150
Viet-Nam: Republic of												
Jute	1	1	1	1	1	1	*1*	1	1	1	0.1	1
Kenaf	...	1	3	1	0.1	0.2	...	1	3	1	0.2	0.2
HEMP FIBRE												
India (sunn hemp)	190	194	169	180	182	180	70	71	57	57	74	73
Korea, Republic of	10	6	6	6	6	...	8.4	4.9	5.6	5.8	6.1	6.2
Pakistan (sunn hemp)	16[f]	18	17	16	16	16	11	12	12	11	12	12
Philippines (abaca)[g]	285	199	198	186	171	150	105	118	108	95	81	70
Japan	4	1	1	1	1	1	2.5	0.8	0.7	0.7	0.6	0.6
WOOL	1 000 quintals, greasy basis						1 000 quintals, clean basis					
China (mainland)	*446*	*770*	*770*	*790*	*790*	*790*	*268*	*460*	*460*	*470*	*470*	*470*
India	259	334	337	356	370	370	178	209	211	223	231	231
Pakistan	112	195	(200)	(200)	200	204	73	(117)	(120)	120	120	122
Australia	5 151	8 092	7 542	7 992	8 047	8 555	2 954	4 604	4 254	4 547	4 579	4 868
Japan	13	9	8	5	4	3	7	5	4	3	2	2
New Zealand	1 789	2 827	(3 152)	3 218	3 303	3 357	1 244	2 035	(2 301)	(2 317)	2 378	2 417

Source: Food and Agriculture Organization of the United Nations, except those in brackets which are from national sources.

General Note: (1) Area relates generally to area harvested except those with the symbol △ which relate to planted area and M to Mature area or area of plucking.

(2) Averages for 1948-52 do not in all cases cover the precise periods indicated.

a. Production refers to total sugarcane cut.
b. Sugar cane crushed in factories.
c. Data relate to cane grown for centrifugal sugar only.
d. Dried in shell.
e. Jute and ambary,
f. Area is for fibre, green manure and fodder.
g. Area refers to crop year beginning in the year stated; production refers to calendar year and represents balings as reported by the Fibre Inspection Service, plus an allowance of 10% for unbaled fibre.

11. PRODUCTION OF MEAT

Thousand tons

Country	Kind of meat	1948-1952	1962	1963	1964	1965	1966	1967	1968
Afghanistan	Beef and veal	25	28	30	30	31	32	32	32
	Mutton and lamb	80	114	115	115	116	117	118	118
Burma[a] (commercial)	Beef and veal	1	11	14	13	16	14	15	17
	Pork	8	12	14	13	14	15	15	15
	Mutton and lamb	2	3	3	3	4	4	4	4
Cambodia (inspected)	Beef and veal	4	16	17	7	8	9	10	11
	Pork	12	30	21	19	19	21	22	22
Ceylon (total)	Beef and veal	16	15	15	16	15	17	16	17
	Mutton and lamb	1	2	2	2	2	2	2	2
China: Mainland (total)	Beef and veal	1 328	1 900	1 950	1 950	2 050	2 100	2 120	2 120
	Pork	3 199	8 900	9 100	9 300	9 350	9 400	9 430	9 430
	Mutton and lamb	220	530	540	540	550	550	560	560
China: Taiwan (total)	Beef and veal	2	6	9	9	5	5	7	7
	Pork	91	168	189	202	218	245	284	290
	Mutton and lamb	1	1	1	1	1	1	1	1
Fiji	Beef and veal	3	2	2	2	2	2	3	3
Hong Kong (total)	Pork	5	49	46	34	28	30	31	35
India (total)	Beef and veal	173	160	160	160	162	162	163	165
	Pork	24	24	24	24	24	24	24	24
	Mutton and lamb	272	354	357	360	363	366	367	368
Indonesia (total)	Beef and veal	206	277	282	281	281	287	290	292
	Pork	35	81	88	88	88	90	95	96
	Mutton and lamb	26	35	44	44	44	44	45	45
Iran	Beef and veal	50	68	66	64	62	63	64	65
	Pork	1	1	1	1	1	1	1	1
	Mutton and lamp	90	172	173	174	175	176	177	179
Korea, Rep. of (Inspected)	Beef and veal	7	24	31	46	40	33	35	37
	Pork	7	40	58	66	76	84	72	78
Laos (total)	Beef and veal	1	3	3	3	4	4	5	6
	Pork	3	4	4	3	3	4	4	5
Malaysia: East, Sabah (total)	Beef and veal	1	1	1	1	1	1	1	1
	Pork	1	3	3	3	3	3	3	3
West	Beef and veal	7	11	11	12	12	13	13	14
	Pork	31	45	45	45	47	49	48	50
	Mutton and lamb	1	2	2	2	2	2	2	2
Pakistan (commercial)	Beef and veal	205	258	264	264	270	264	274	275
	Mutton and lamb	66	81	87	87	91	87	94	95
Philippines	Beef and veal	41	55	60	60	60	60	60	60
	Pork	89	165	158	155	240	279	290	295
	Mutton and lamb	1	3	2	3	2	3	3	3
Singapore (commercial)	Beef and veal	2	—	—	—	—	—	—	—
	Pork	9	18	16	15	16	18	18	19
	Mutton and lamb	1	—	—	—	—	—	—	—
Thailand (inspected)	Beef and veal	16	44	43	47	47	48	50	51
	Pork	60	131	130	125	125	137	137	139
Viet-Nam, Rep. of (total)	Beef and veal	11	16	16	17	27	28	28	29
	Pork	41	90	90	100	115	107	108	110
Australia[b] (total)	Beef and veal	628	930	1 003	1 028	948	880	910	928
	Pork	89	116	113	122	135	142	152	166
	Mutton and lamb	332	606	599	599	613	601	665	712
Japan (inspected)	Beef and veal	61	146	186	224	208	155	159	167
	Pork	46	324	279	298	364	565	603	578
	Mutton and lamb	—	3	2	2	2	2	2	2
New Zealand (total)	Beef and veal	187	286	298	291	276	292	302	350
	Pork	39	40	43	47	45	40	37	37
	Mutton and lamb	324	473	463	389	476	469	521	558

Source: Food and Agriculture Organization of the United Nations.

General Notes (1) Data in this table refer to production of beef and veal (including buffalo meat), pork (including bacon and ham as pigmeat equivalent), and mutton and lamb (including goat meat), in terms of carcass weight, excluding lard, tallow and of offals.

Except as otherwise specified, data refer to production from indigenous animals only, including, where applicable, the meat equivalent of exported live animals. Where information concerning the statistical coverage of the data shown is available, an appropriate notation is inserted under the name of the country. "total" production refers to meat produced from both commercial and farm slaughter; "commercial", to total production excluding farm slaughter; and "inspected" to meat produced from animals slaughtered under governmental supervision. For some countries, no information concerning coverage is available but it is believed that, for most of those countries, the figures refer to inspected or commercial production only.

(2) Averages for 1948-52 do not in all cases cover the precise periods indicated.

a. Data cover 70 towns only, with a population of a little over 2 million.

b. Years beginning 1 July.

12. PRODUCTION OF DAIRY PRODUCTS

Thousand tons

		1948-1952	1962	1963	1964	1965	1966	1967	1968
MILK									
Afghanistan	Cow	238	300	305	336	367	367	368	368
	Buffalo	3	3	3	3	4	4	4	4
	Sheep	143	190	191	192	194	205	210	212
	Goat	89	62	58	53	49	49	49	48
Burma	Cow	218	263	283	301	317	318	318	319
	Buffalo	15	18	18	21	21	22	22	23
Ceylon	Cow	96	81	115	144	151	125	122	120
	Buffalo	34	23	35	40	51	41	40	39
China: Mainland	Cow	2 004	2 715	2 753	2 790	2 828	2 865	2 900	2 950
China: Taiwan	Cow	1	5	8	11	14	14	14	14
Fiji	Cow	7	11	10	10	10	11	11	12
Hong Kong[a]	Cow	3	6	5	6	6	6	6	7
India	Cow	7 814	8 860	8 964	9 069	9 196	9 308	9 408	9 518
	Buffalo	9 192	11 107	11 123	11 139	11 153	11 166	11 180	11 194
	Goat	467	534	523	521	519	517	515	513
Indonesia	Cow	12	35	33	38	41	44	47	50
Iran	Cow	643	1 000	1 021	1 040	1 061	1 082	1 085	1 090
	Buffalo	22	67	67	67	67	67	67	67
	Sheep	216	385	408	429	455	490	500	530
	Goat	259	406	413	422	432	437	442	450
Korea, Rep. of	Cow	—	4	5	9	11	15	19	26
	Goat	—	2	2	2	2	6	6	7
Malaysia: West	Cow	10	18	20	20	21	21	21	22
	Buffalo	1	4	4	5	5	5	6	6
Pakistan	Cow	2 358	2 690	2 720	2 750	2 760	2 780	2 800	2 830
	Buffalo	2 214	2 920	2 930	2 940	2 970	3 000	3 030	3 060
	Goat	157	200	185	180	174	170	165	160
Philippines	Cow	2	9	10	11	13	14	15	15
	Buffalo	7	12	13	13	14	14	15	16
Singapore	Cow	—	1	1	1	1	1	1	1
Australia[b]	Cow	5 538	6 879	7 013	7 128	7 133	7 495	7 044	7 130
Japan	Cow	369	2 437	2 761	3 020	3 221	3 409	3 566	3 824
	Goat	8	9	8	7	6	5	4	4
New Zealand[c]	Cow	6	5 381	5 459	5 684	6 011	6 135	6 251	6 123
BUTTER									
India[d]	Total	534	436	438	441	444	447	449	451
Pakistan[e]	...	133	112	112	112	112	112	112	112
Australia[b]	Total	159	206	207	206	209	222	196	205
Japan	Factory	3	19	22	23	24	25	23	24
New Zealand[c]	Total	177	214	221	235	249	259	260	252
CHEESE[f]									
Burma	Total	4	5	5	5	5	6	6	7
Iran	Total	15	26	27	28	29	30	31	32
Australia[b]	Total	45	60	59	63	60	70	71	74
Japan	Factory	—	8	12	13	16	27	31	34
New Zealand[c]	Total	101	102	100	97	108	107	112	112
CONDENSED AND EVAPORATED MILK									
Australia:[b]	Whole	52	63	76	87	74	70	61	60
	Skim	3	9	12	10	10	11	8	10
Japan:	Whole	16	60	55	41	41	39	41	43
	Skim	3	31	29	28	26	23	20	19
New Zealand[g]		21	15	15	16	14	16	16	15
DRIED MILK									
Australia:[b]	Whole	20	18	19	20	20	22	22	23
	Skim	10	43	42	49	51	85	88	90
	Butter milk & whey	3	9	10	9	12	14	15	16
Japan:	Whole	9	46	52	61	76	74	81	83
	Skim	2	17	25	27	25	26	30	31
New Zealand:[c]	Skim-milk powder	22	42	52	64	82	87	140	147
	Butter milk powder	4	18	18	20	22	25	26	24

Source: Food and Agriculture Organization of the United Nations.

General Note: (1) Averages for 1948-52 do not in all cases cover the precise periods indicated.

(2) Milk production generally excludes milk sucked by young animals but includes milk fed to them.

a Year ending March.
b Year beginning 1 July.
c Year ending 31 May.
d Including ghee.
e Mainly ghee.
f Cheese from whole and partly skimmed milk of cows or buffaloes.
g Years ending 31 May, including condensed milk and whole milk powder.

13. INDEX NUMBERS OF INDUSTRIAL PRODUCTION

1963=100[a]

	Weight	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
CEYLON													
Industrial production	100.0	100	107	113	*115*	…	…	…	…	…	…	…	…
Mining and quarrying	1.8	100	163	128	*170*	…	…	…	…	…	…	…	…
Manufacturing	94.6	100	108	…	…	…	…	…	…	…	…	…	…
Food and beverages	12.4	100	105	103	*103*	…	…	…	…	…	…	…	…
Chemical & chemical products	44.9	100	127	122	*114*	…	…	…	…	…	…	…	…
Electricity and gas	3.5	100	106	106	106	…	…	…	…	…	…	…	…
CHINA (Taiwan)													
Industrial production[b]	100.0	100	127	148	168	198	208	219	219	240	249	255	270
Mining and quarrying	8.1	100	108	116	121	127	122	134	125	134	130	137	152
Manufacturing[b]	82.1	100	131	150	170	201	212	225	226	247	255	259	278
Food[b]	17.4	100	129	140	133	131	163	152	153	160	160	141	…
Textiles	10.9	100	115	131	138	162	164	180	168	167	188	185	…
Chemicals	11.2	100	147	195	226	271	257	294	290	308	314	313	…
Non-metallic mineral products	11.7	100	111	118	140	165	158	188	184	182	183	195	…
Public utilities	8.8	100	118	128	145	166	168	172	178	190	203	197	199
Construction	1.0	100	119	413	648	806	852	794	937	912	1053	1238	1088
INDIA[c]													
Industrial production	100.0	100	109	116	118	116	116	114	127	*121*	*124*	…	…
Mining and quarrying	9.7	100	97	107	111	109	102	107	120	*121*	*114*	…	…
Manufacturing	84.9	100	109	117	117	114	115	112	120	*114*	*123*	…	…
Food	12.1	100	109	113	117	104	124	105	106	…	…	…	…
Sugar	3.6	100	114	140	146	94	2	95	250	*8*	*10*	…	…
Tea	5.1	100	109	107	110	111	206	113	18	*104*	*171*	…	…
Textiles	27.1	100	105	105	99	98	100	97	104	…	…	…	…
Chemicals	7.3	100	109	115	124	129	132	115	132	…	…	…	…
Basic metal industries	7.4	100	102	105	109	104	107	100	105	…	…	…	…
Electricity	5.4	100	115	127	138	153	155	161	168	*181*	*179*	…	…
IRAN*													
General	100.0	100	114	127	143	170	180	179	165	178	199	…	…
Mining[d]	60.8	100	114	127	144	177	183	181	180	185	202	…	…
Manufacturing[d,e]	37.2	100	113	125	139	157	176	175	135	165	193	…	…
Electricity and gas	2.0	100	132	143	168	199	192	177	233	171	200	…	…
KOREA, Republic of[f]													
Industrial production	100.0	100	108	127	149	184	191	205	197	236	248	262	268
Mining	10.5	100	110	114	116	137	139	138	120	143	126	119	123
Manufacturing	83.3	100	107	129	152	190	198	214	207	251	265	282	288
Food	8.5	100	73	93	115	152	143	180	179	229	223	269	280
Textiles	19.3	100	116	144	160	200	209	225	239	268	292	292	310
Electricity	6.2	100	122	147	176	223	228	249	242	251	281	300	319
PAKISTANφ *(July 1962—June 1963=100)*													
Industrial production	100.0	100	114	126	134	148	…	…	…	…	…	…	…
Mining	6.1	100	111	121	126	133	…	…	…	…	…	…	…
Manufacturing	93.9	100	114	126	134	149	…	…	…	…	…	…	…
PHILIPPINES													
Mining	…	100	101	110	120	131	128	124	156	145	…	…	…
Manufacturing	100.0	100	108	111	121	125	122	127	128	…	…	…	…
Non-durable	82.7	100	107	111	121	124	121	126	128	…	…	…	…
Food products	15.0	100	104	113	118	125	125	132	128	…	…	…	…
Beverages	11.6	100	106	111	122	123	113	123	148	…	…	…	…
Tobacco products	15.8	100	121	132	155	150	138	148	172	…	…	…	…
Textiles	6.2	100	105	102	107	109	103	88	105	…	…	…	…
Chemicals	15.4	100	104	112	117	119	112	134	110	…	…	…	…
Misc. products of petroleum and coal	9.3	100	100	93	121	134	137	140	117	…	…	…	…
Durable	17.3	100	114	114	121	130	128	128	131	…	…	…	…
VIET-NAM, Republic of													
Industrial production	100.0	100	113	136	147	163	167	160	123	152	…	…	…
Mining	1.3	100	70	—	—	—	—	—	—	—	…	…	…
Manufacturing	93.5	100	114	137	149	167	173	162	125	154	…	…	…
Food	14.5	100	95	108	117	129	123	136	89	120	…	…	…
Beverages	45.1	100	123	152	158	180	176	171	141	176	…	…	…
Electricity	5.2	100	115	150	156	176	184	183	130	178	…	…	…

13. INDEX NUMBERS OF INDUSTRIAL PRODUCTION *(Cont'd)*

1963 = 100[a]

	Weight	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
AUSTRALIA[φg] *(July 1963-June 1964 = 100)*													
Manufacturing	91.0	...	100	108	110	115	121	122	114	123	128	*135*	*138*
Durable goods	55.0	...	100	108	110	112	120	120	109	124	132	*139*	*141*
Non-durable goods	36.0	...	100	108	111	119	121	123	120	121	123	*130*	*133*
JAPAN													
Industrial production	100.0	100	116	120	136	162	164	176	178	185	192	201	206
Mining and manufacturing	95.8	100	116	120	136	161	164	176	179	186	192	203	207
Mining	2.1	100	101	100	105	104	101	105	105	102	104	108	108
Manufacturing	93.6	100	116	121	137	164	166	178	181	188	195	205	210
Food	10.6	100	109	116	126	133	123	140	157	132	130	135	142
Textiles	11.4	100	111	119	131	142	145	149	143	150	153	157	157
Chemicals	9.0	100	113	124	140	164	164	179	180	189	191	200	201
Ferrous metals	6.5	100	124	128	148	191	196	202	204	209	218	233	225
Machinery	30.0	100	122	124	144	137	192	208	213	233	245	259	269
Public utilities	4.2	100	113	120	132	150	154	159	167	155	169	170	172
NEW ZEALAND[h] *(April 1963-March 1964 = 100)*													
Industrial production	100.0	92	100	111	120	127	...	...	...	...	...	...	...
Mining and quarrying	3.1	95	100	104	114	122	...	...	...	...	...	...	...
Manufacturing	66.7	91	100	113	121	128	...	...	...	...	...	...	...
Electricity and gas	4.9	91	100	110	120	128	...	...	...	...	...	...	...
Building and construction	25.3	100	100	105	119	124	...	...	...	...	...	...	...

a. Original base: Ceylon, 1952-1956; China (Taiwan), 1961; India, 1960; Republic of Korea, 1965; Pakistan, 1959/60; Philippines, 1955; Republic of Viet-Nam, 1962; Australia, 1963/64; Japan, 1961; New Zealand, 1954/55.

b. Sugar production is excluded from the monthly and quarterly index but included in the annual index. Weights relate to annual index.

c. Quarterly figures relate to the mid-month of each quarter.

d. Products of petroleum are included in mining. The mining indexes have been calculated by the Statistical Office of the United Nations from component indexes.

e. Excluding tobacco.

f. Figures for 1966 and after are the 1966 base indexes converted into the 1965 base equal to 100. Weights relate to the 1966 base indexes.

g. Unofficial index prepared by the Australia and New Zealand Bank Ltd.

h. Year ending 31 March of the year stated except in the case of the important semi-primary industries, the years correspond with the production seasons ending in June or September.

14. PRODUCTION OF SELECTED COMMODITIES

Monthly averages or calendar months *Thousand tons*

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
TEA													
Ceylon	17.7	18.3	18.2	19.0	18.6	18.4	15.7	18.7	16.4	...	...	...	...
China (Taiwan)	1.3	1.7	1.7	2.1	2.0	2.1	2.3	2.6	2.1	1.8	1.6	3.4	3.1
India	28.9	28.9	31.1	30.4	31.3	31.2	54.5	33.1	7.2	...	...	...	...
Indonesia	3.8	3.2	3.7	3.9	3.7	...	...	...	...	...	...	...	...
Pakistan	2.0	2.3	2.4	2.3	2.5	2.6	4.4	3.2	*0.3*	*2.6*	*4.3*	*4.0*	*3.0*
Japan	6.5	6.8	6.9	6.5	6.1	6.8	13.1	0.6	...	13.0	13.5	1.7	...
NATURAL RUBBER[a]													
Cambodia	3.5	3.4	3.8	4.1	4.3	4.5	5.1	5.8	2.3	3.8	5.0	5.9	6.3
Ceylon	8.7	8.7	9.3	9.9	10.9	11.9	11.2	12.3	12.6	10.1	12.7	10.8	16.9
India	2.6	3.1	3.7	4.1	4.4	5.2	5.3	6.8	4.4	5.3	5.3	7.1	7.0
Indonesia	55.8	48.5	54.1	59.7	59.6	*63.5*	*66.0*	*66.0*	*59.9*	*59.9*	*66.0*	*66.0*	*66.0*
Malaysia and Singapore	69.1	72.2	75.5	79.1	84.6	83.4	91.6	87.3	85.6	77.1	99.4	102.6	116.2
Thailand	16.3	15.8	18.5	18.0	17.3	17.8	16.8	17.5	25.3	20.0	14.7	33.9	...
Viet-Nam, Republic of	6.3	6.0	6.2	5.1	4.1	3.7	3.9	4.8	1.2	2.1	2.7	3.2	3.8
COAL													
Afghanistan*	9.3	8.3	9.4	12.2	13.5	12.6	...	...	...	...	...	...	...
China (Taiwan)	379	401	419	421	418	423	412	449	441	431	407	412	448
India[b]	5 114	5 496	5 203	5 597	5 664	5 685	5 660	5 684	6 413	...	...	...	...
Indonesia	39	49	37	23	27	17	19	19	16	...	...	...	...
Iran*	13	16	33	27	*25*	...	...	...	...	...	...	...	...
Korea, Republic of	620	738	802	854	968	1 036	1 032	984	864	868	796	832	857
Mongolia[b]	72	71	52	82	...	...	...	...	...	...	...	...	...
Pakistan[b]	83	104	101	103	*113*	*117*	...	...	...	...	...	...	...
Philippines	14	13	10	8	8	5	5	5	5	4	...	...	...
Viet-Nam, Republic of	5.9	8.7	6.4	—	—	—	—	—	—	—	—	—	—
Australia	2 072	2 105	2 320	2 665	2 826	2 939	3 113	3 064	2 938	3 316	3 757	4 024	...
Japan	4 533	4 338	4 244	4 128	4 279	3 957	3 748	3 941	4 068	3 769	4 038	3 932	3 697
New Zealand[b]	216	232	243	225	213	200	232	188	160	197	218	209	198

14. PRODUCTION OF SELECTED COMMODITIES *(Cont'd)*

Monthly averages or calendar months *Thousand tons*

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
NATURAL GAS *(million cubic metres)*													
Brunei	17.4	16.5	14.4	17.6	16.8	...	...	...	...	...	...	...	...
China (Taiwan)	3.20	4.22	14.12	25.81	36.60	43.93	43.13	44.94	41 11	53.69	63.95	75.29	78.60
Indonesia[c]	226.0	233.0	228.0	204.0	263.0	231.0	...	...	...	...	...	...	...
Iran	87.7	94.9	99.3	102.5	115.5	123.5	127.3	132.3	139.3	128.0	122.7	136.0	...
Pakistan[c]	99.0	117.0	139.0	159.0	154.0	168.0	...	...	...	...	...	...	...
Japan[d]	97.0	140.0	152.0	148.0	149.0	156.0	146.0	164.0	177.0	162.0	159.0	171.0	171.0
PETROLEUM, CRUDE[e]													
Brunei	316	286	295	328	391	...	...	...	...	...	...	...	...
Burma	49	53	46	45	47	49	51	51	63	62	...	...	...
China (Taiwan)	0.17	0.21	0.72	1.54	2.66	2.89	2.63	3.42	3.52	4.39	5.27	6.36	7.03
India	90	138	184	252	387	463	455	491	475	495	4.86	372	520
Indonesia	1 899	1 856	1 902	1 980	1 866	2 109	2 103	2 198	2 293	*2 692*	*2 932*	...	...
Iran[f]	5 484	6 130	7 051	7 844	8 787	10 730	11 212	11 067	10 955	11 161	21 206	12 552	12 616
Mongolia	1.92	1.58	1.50	1.33	...	...	...	...	...	...	...	...	...
Malaysia: Sarawak	5	4	4	4	4	4	4	4	4	4	...	...	...
Pakistan	37	39	42	44	42	*40*	*41*	*40*	*41*	*41*	*41*	...	...
Australia	—	—	15.8	27.8	35.9	80.5	92.4	127.3	140.0	147.4	153.0	154.0	144.0
Japan	63	65	55	56	65	66	65	66	66	64	64	66	65
IRON ORE[f]													
Fiji	0.33	0.08	—	—	—	...	...	...	...	...	...	...	...
Hong Kong	9	10	10	11	11	12	12	12	14	12	13	16	12
India	1 637	1 717	1 780	1 949	2 209	2 130	1 963	2 102	2 288	2 234	2 064	2 293	...
Korea, Republic of	39	42	57	61	66	58	60	64	61	79	76	61	63
Malaysia, West	551	615	547	582	488	453	555	379	368	457	...	...	...
Pakistan	—	—	0.2	0.7	0.2	...	...	..	...	...	...	...	...
Philippines	116	115	114	120	122	103	129	22	100	113	...	...	...
Thailand	3.7	1.3	15.7	62.5	57.6	45.8	55.1	15.7	8.3	77.1	75.5	...	...
Australia	410	467	480	567	981	1 489	1 588	1 646	1 664	2 073	2 436	...	...
Japan[g]	216	202	213	210	200	184	191	180	168	144	181	192	191
TIN-IN-CONCENTRATES													
Burma	0.088	0.077	0.048	0.039	0.031	...	*0.025*	...	...	...	...	...	...
Indonesia	1.466	1.096	1.384	1.245	1.061	1.151	1.223	1.400	1.134	1.400	1.559	1.521	1.502
Laos	0.030	0.028	0.029	0.024	0.028	0.046	0.039	0.038	...	...	...	...	...
Malaysia	4.962	5.076	5.080	5.390	5.832	6.106	6.147	6.115	6.331	6.260	6.650	6.220	6.084
Thailand	1.243	1.320	1.321	1.613	1.911	1.904	1.947	2.090	2.153	1.891	2.162	...	...
Australia	0.230	0.242	0.308	0.326	0.380	0.474	0.537	0.520	0.446	0.526	0.606	...	...
Japan	0.073	0.073	0.066	0.070	0.082	0.099	0.102	0.098	0.078	0.079	0.079	0.078	0.068
SALT													
Afghanistan*	2.7	2.6	2.6	3.2	3.2	10.9	...	...	...	...	...	...	...
Burma	12.9	13.4	10.6	10.9	9.1	11.2	6.5	2.9	15.5	20.3	5.7	2.7	2.7
Ceylon	3.1	1.8	3.8	1.6	5.4	6.3	19.3	2.7	2.3	5.2	...	...	...
China (Taiwan)	49.6	52.2	50.2	46.7	42.6	43.1	10.7	55.5	31.7	32.4	5.8	9.5	...
India	324.4	378.2	387.2	392.9	376.8	374.0	131.1	83.6	294.8	...	...	...	...
Indonesia	21.3	37.4	25.3	21.0	*17.9*	...	...	...	...	...	...	...	...
Iran*	20.5	28.8	19.9	18.3	*18.8*	...	...	...	...	...	...	...	...
Korea, Republic of	32.3	19.2	32.1	55.7	32.8	51.0	50.7	42.4	—	115.1	71.3	2.0	—
Pakistan	37.4	37.8	30.8	40.7	39.2	58.0	43.9	56.6	70.4	81.6	...	...	...
Philippines	8.0	5.8	3.9	18.7	*15.3*	...	...	...	...	...	...	...	...
Thailand	21.5	22.1	15.8	15.7	...	...	...	...	...	...	...	...	...
Viet-Nam, Republic of	16.0	16.3	15.8	10.2	7.3	13.1	...	...	...	...	...	...	...
Australiaϕ	45.4	49.3	45.8	55.1	*54.6*	...	...	...	...	...	...	...	...
Japan[h]	71.3	65.4	74.0	70.6	70.8	81.1	94.8	88.6	75.0	90.3	85.5	69.2	76.0
New Zealand	0.8	0.9	1.8	2.9	3.0	4.7	...	...	...	...	...	...	...
SUGAR													
Afghanistan	0.67	0.71	0.75	0.79	0.59	0.63	...	...	...	...	...	...	...
Burma	4.87	5.19	5.62	5.92	5.33	5.92	...	...	...	...	...	...	...
China (Taiwan)	59.0	61.9	77.1	83.4	80.1	68.8	—	77.8	176.9	34.5	—	—	...
Fiji	21.1	24.7	26.8	26.3	25.4	...	...	...	...	...	...	...	...
India	232.2	192.8	218.9	268.9	280.4	181.2	2.1	236.1	*455.9*	*40.8*	...	...	...
Indonesia	49.3	54.4	54.2	61.7	53.3	59.3	...	...	...	...	...	...	...
Iran*	12.9	13.7	15.4	19.5	29.6	*22.0*	...	...	...	...	...	...	...
Korea, Republic of	4.5	3.3	1.4	3.8	5.9	9.1	8.0	10.3	9.3	11.4	13.7	11.0	12.0
Pakistan	15.6	23.3	19.9	23.5	39.5	*34.3*	2.6	*34.4*	*71.9*	*34.5*	*3.2*	*1.5*	*25.8*
Philippines	125.9	125.1	143.7	129.8	120.2	...	...	...	...	...	...	...	...
Thailand	12.6	10.4	14.0	26.7	22.4	19.4	...	...	...	...	...	...	...
Viet-Nam, Republic of	5.4	5.1	4.7	5.3	6.3	7.4	6.7	7.7	5.1	7.5	10.2	12.1	7.5
Australia	152.6	142.2	166.8	172.8	103.9	203.3	414.5	380.4	2.2	55.0	512.2	...	...
Japan	23.7	31.3	31.6	47.4	45.7	44.0	—	61.4	—	...	...	...	...
New Zealand	9.8	9.8	9.1	10.1	10.6	10.8	10.2	11.3	12.7	9.1	10.2	12.4	...

14. PRODUCTION OF SELECTED COMMODITIES *(Cont'd)*

Monthly averages or calendar months *Thousand tons*

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
COTTON YARN													
Burma	0.40	0.42	0.42	0.43	0.46	0.51	0.50	0.58	0.59	0.57	0.68	0.69	0.63
China (Taiwan)	4.4	4.0	4.2	4.6	4.9	5.9	5.7	6.1	5.4	5.4	5.5	6.1	5.8
Hong Kong	8.9	9.1	9.9	10.9	11.0	11.4	11.4	12.3	11.7	12.4	12.4	...	...
India	71.6	74.4	80.4	78.3	75.1	74.7	78.3	76.7	79.3	79.2	82.3	...	...
Korea, Republic of	4.4	5.2	5.4	5.5	5.8	6.2	6.5	7.1	*6.0*	6.0	6.5	*7.0*	*7.8*
Pakistan	16.3	17.8	19.2	19.1	19.7	20.8	21.0	22.5	21.3	21.7	23.2	24.2	23.7
Philippines	1.10	0.74	1.18	0.63	1.61	2.06	1.60	2.68	2.17	1.88	1.49	1.53	1.50
Australiaφ	1.64	1.74	2.09	2.24	2.23	2.33	2.53	2.30	1.93	2.40	2.51	2.57	2.50
Japan	40.9	40.0	41.9	45.8	42.1	43.2	43.2	44.9	44.9	46.3	45.5	46.6	47.0
COTTON FABRICS *(Mn metres)*													
Afghanistan*	3.1	3.0	3.9	4.6	5.5	5.3	...	...	...	...	...	...	...
Ceylon *(Mn sq. metres)*	0.4	0.3	0.6	0.4	0.6	...	...	...	...	...	...	...	...
China (Taiwan)	16.6	18.4	20.1	19.2	21.3	28.4	29.7	30.0	30.6	29.6	32.2	32.2	35.0
Hong Kong *(Mn sq. metres)*	35.5	39.6	40.4	45.3	46.9	51.1	...	...	...	...	...	...	...
India[i]	380	369	388	383	353	341	359	354	367	365	373	...	...
Indonesia	5.0	...	...	...	...	...	...	...	...	...	...	...	...
Korea, Republic of *(Mn sq. metres)*	16.1	20.7	21.7	22.5	23.6	25.1	26.1	26.2	24.6	25.3	23.5	...	...
Pakistan[i]	55.3	55.7	57.8	54.8	53.7	58.8	58.8	60.1	58.4	56.4	58.5	61.8	60.0
Philippines	11.7	10.4	13.2	12.4	11.6	13.5	14.8	14.1	16.6	15.4	16.0	17.3	16.7
Thailand *(Mn sq. metres)*	7.63	9.76	12.9	19.7	21.1	...	...	...	...	...	...	...	...
Australiaφ *(Mn sq. metres)*	3.82	3.90	4.43	4.78	4.74	4.84	5.49	4.97	4.17	5.11	5.46	5.25	4.40
Japan *(Mn sq. metres)*	257	245	247	251	243	235	229	234	225	232	227	227	232
JUTE MANUFACTURES													
Burma (Gunny bags, *Mn pieces)*	1.27	2.05	2.24	2.22	1.80	1.80	1.63	1.80	1.83	1.77	1.90	1.40	...
China (Taiwan) (Gunny bags, *Mn pieces)*	1.37	1.25	1.03	1.12	1.17	1.21	1.09	1.38	1.10	1.21	0.98	1.24	...
India	96.9	103.0	106.0	111.2	93.3	...	93.8	92.3	99.0	...	...	...	...
Pakistan	24.2	26.7	23.7	31.6	36.3	36.1	40.2	41.7	40.5	43.8	47.0	52.7	45.4
Thailand (Gunny bags, *Mn pieces)*	0.92	1.93	2.79	3.32	3.55	4.55	4.63	4.76	4.44	4.04	4.79	...	...
PAPER[j]													
China (Taiwan)	9.2	8.8	10.5	11.3	12.0	11.8	11.3	12.5	14.1	13.3	15.1	16.5	15.7
India	19.5	24.9	26.6	27.8	31.8	31.5	31.8	33.0	...	...	...	...	...
Korea, Republic of	3.1	3.5	3.6	3.8	4.6	4.8	5.0	4.6	4.0	4.9	5.2	6.3	6.4
Pakistan	5.0	4.6	5.3	6.1	5.1	5.7	5.9	5.8	5.7	5.9	5.6	6.4	6.2
Thailand	0.48	0.66	1.13	1.11	1.02	1.15	1.27	1.06	1.23	1.26	1.14	...	...
Australia	7.5	7.8	7.8	7.9	8.0	8.1	8.2	7.5	7.7	8.0	8.1	8.5	7.7
Japan	250.4	274.1	308.6	309.4	338.1	372.2	378.5	393.3	448.9	459.1	455.6	474.9	466.2
New Zealand‡	9.6	14.2	15.8	16.5	15.6	16.9	17.5	19.2	14.1	16.2	17.2	...	...
VEGETABLE OILS													
China (Taiwan): Edible oil	2.4	2.1	2.3	2.2	1.8	2.4	2.7	2.6	3.2	3.3	3.4	3.8	4.1
India: Edible oil (Vanaspati)	30.8	32.0	29.9	35.5	29.9	32.7	29.5	35.4	43.7	...	...	...	...
Indonesia: Palm oil	11.8	12.4	13.4	13.6	12.6	...	...	...	...	...	...	...	...
Malaysia, West:													
Coconut oil	7.8	6.0	5.3	5.4	6.1	6.5	7.5	7.2	6.8	8.0	8.2	7.6	7.8
Palm oil	9.0	10.5	10.2	12.4	15.1	18.1	20.0	22.0	21.1	18.4	24.0	27.5	27.0
Pakistan: Vegetable oil	5.3	6.6	7.7	8.5	8.1	*7.5*	7.6	*7.7*	*7.7*	*7.4*	*7.8*	*8.0*	*9.3*
Philippines: Coconut oil	18.3	18.7	32.3	32.0	*37.9*	...	...	...	...	...	...	...	...
Singapore: Coconut oil	2.0	1.8	1.7	1.8	2.5	2.5	2.5	2.4	2.5	2.7	2.7	3.4	3.2
Japan: Coconut oil	4.2	5.5	4.9	4.8	5.5	6.5	7.2	6.2	6.2	6.0	...	...	...
Others	19.2	17.0	19.8	21.6	25.7	27.4	24.6	29.6	35.5	36.0	...	...	...
SUPERPHOSPHATES													
China (Taiwan)	12.0	14.4	15.4	16.3	17.7	17.0	17.0	24.0	10.9	11.8	18.8	26.6	...
India[k]	6.2	8.1	9.8	9.6	9.9	10.7	13.4	12.9	11.8	...	...	...	...
Pakistan	0.66	0.56	0.61	0.75	0.49	0.44	0.43	0.84	1.68	2.40	0.58	1.01	1.01
Australiaφ	242.8	283.4	313.9	354.6	368.8	386.4	335.3	364.1	406.4	348.9	324.1	349.5	...
Japan	150.8	138.5	138.4	129.2	107.6	99.6	83.5	102.0	112.5	98.8	78.0	90.7	86.0
New Zealand	84.7	101.9	123.2	134.2	136.4	113.2	105.8	105.8	...	...	...	...	...
AMMONIUM SULPHATE													
China (Taiwan)	5.9	9.3	18.6	23.3	23.1	26.5	26.3	30.6	23.9	27.1	33.8	37.1	...
India[m]	7.0	7.4	7.1	7.3	7.2	7.0	6.5	7.2	8.7	...	...	...	...
Pakistan	4.4	4.2	3.4	3.2	3.5	3.8	3.7	4.1	4.4	3.3	3.6	4.3	4.3
Australiaφ	7.9	7.2	9.2	9.3	9.4	7.4	7.2	5.1	6.2	5.3	8.0	8.5	...
Japan	209.2	188.4	190.5	207.4	221.1	225.8	250.3	229.9	231.9	220.4	234.3	222.4	216.4
PETROLEUM PRODUCTS[n]													
Burma	34	36	37	41	48	49	51	49	53	49	...	...	...
China (Taiwan) *(thousand kilolitres)*	98	100	107	138	168	183	186	191	167	237	243	282	...
India	549	638	704	750	926	1 122	1 169	1 151	1 171	1 292	1 242	1 238	1 251
Indonesia	871	798	689	584	530	...	...	...	...	...	...	...	...
Iran	1 466	1 487	1 530	1 547	1 590	1 632	1 688	1 661	1 569	1 626	1 841	1 778	1 775
Korea, Rep. of *(thousand kilolitres)*	—	—	63	134	167	216	273	298	301	407	460	510	537
Malaysia: Sarawak	187	182	209	220	...	...	...	...	...	...	...	...	...
Pakistan	11.8	38.3	51.8	...	...	...	...	...	...	...	...	...	...
Philippines	244	304	352	380	386	...	...	...	...	...	...	...	...
Thailand *(thousand kilolitres)*	—	—	39[o]	150	176	203	185	195	206	205	290	...	...
Australia	1 087	1 193	1 280	1 363	1 495								

14. PRODUCTION OF SELECTED COMMODITIES *(Cont'd)*

Monthly averages or calendar months *Thousand tons*

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
CEMENT													
Afghanistan*	5.0	8.6	11.9	13.2	14.5	10.6	...	...	...	...	...	...	...
Burma	4.4	10.3	10.9	10.0	11.8	11.0	9.9	10.1	15.0	13.5	14.1	14.1	...
Ceylon	7.1	6.3	6.2	7.2	6.9	13.9	18.1	15.1	15.7	...	...	...	...
China (Taiwan)	155.9	187.2	196.3	203.6	259.0	290.5	269.6	332.1	325.6	316.5	320.9	337.8	...
Hong Kong	17.7	18.1	17.9	20.1	20.6	17.9	22.3	28.5	31.6	35.6	29.4	21.5	23.5
India	716	780	808	881	921	942	899	962	999	973	921	1 054	1 033
Indonesia	42.1	42.6	36.6	30.4	30.4	...	...	...	...	...	...	...	...
Iran	55.7	61.3	90.7	116.5	116.1	...	...	...	...	...	...	...	...
Korea, Republic of	65.8	64.9	103.5	134.7	156.7	203.4	214.6	200.4	160.4	347.8	333.8	401.0	333.0
Malaysia: West	27.1	30.1	38.8	61.5	65.3	74.9	75.5	85.4	73.8	83.7	83.0	79.4	80.6
Pakistan	116.0	125.0	128.8	141.8	155.0	178.3	165.6	176.1	173.4	194.4	185.9	185.9	190.0
Philippines	80.1	79.3	100.1	127.4	134.4	139.2	149.9	143.7	174.7	182.1	209.1	174.0	181.0
Thailand	80.4	83.2	88.3	104.2	123.6	144.7	155.0	148.1	170.7	190.0	180.5	...	...
Australia	245	249	281	317	307	319	342	323	298	324	349	372	354
Japan	2 399	2 496	2 748	2 724	3 190	3 605	3 738	4 025	3 724	3 773	4 003	4 295	4209
New Zealand	53	60	66	70	73	68	68	64	63	63	65	67	68
STEEL (ingots and metal for castings)													
China (Taiwan)	15.1	17.9	19.7	21.7	27.1	36.9	37.0	37.7	44.1	41.2	33.9	36.7	35.8
India[q]	426	‖ 497	503	534	550	537	523	540	547	...	...	...	...
Korea, Republic of[q]	12.4	13.3	10.8	16.0	18.0	26.7	27.0	30.1	22.1	29.5	34.2	36.0	35.0
Pakistan[q]	0.9	1.0	1.0	*1.1*	...	...	...	...	...	...	...	...	...
Australia	353	388	425	458	491	524	544	525	526	537	537	574	543
Japan	2 295	2 625	3 317	3 430	3 982	5 179	5 359	5 368	5 395	5 443	5 624	6 005	5 657
TIN METAL													
Indonesia	0.127	0.085	0.115	0.101	0.070	0.125	0.125	0.125	*0.122*	...	...	...	...
Malaysia	6.949	7.112	6.041	6.136	6.016	6.463	6.595	6.440	7.038	7.125	7.892	7.215	...
Thailand	—	—	—	0.468	1.434	2.248	1.934	2.092	2.202	2.081	1.990	...	...
Australia	0.229	0.222	0.256	0.269	0.315	0.304	0.353	0.398	0.297	0.290	0.309	0.319	0.297
Japan	0.157	0.167	0.165	0.137	0.155	0.143	0.135	0.156	0.146	0.173	0.175	0.139	0.137
ELECTRICITY[s] *(million kWh)*													
Afghanistan*[t]	13.18	15.14	16.97	19.69	25.19	29.97	...	...	...	...	...	...	...
Brunei	0.93	0.93	1.01	1.25	1.82	...	...	...	...	...	...	...	...
Burma	27.9	29.7	32.0	32.6	32.8	32.3	32.3	33.5	32.5	34.0	...	...	...
Cambodia	6.65	7.28	6.90	6.72	7.44	7.93	7.67	8.50	8.61	9.27	...	...	...
Ceylon[t]	32	34	34	35	44	48	50	51	50	53	...	...	...
China (Taiwan)	391	418	493	538	612	701	710	730	753	804	860	830	845
Fiji	2.17	2.92	3.42	3.83	4.25	...	...	...	...	...	...	...	...
Hong Kong[u]	149	172	199	228	*226*	252	289	248	239	281	333	317	288
India	1 789	2 066	2 372	2 615	2 846	3 159	3 224	3 337	*3 455*	*3 626*	*3 714*	*3 728*	...
Indonesia	111	108	117	126	127	...	...	...	...	...	...	...	...
Iran*[t]	103	179	187	178	...	...	...	...	...	...	...	...	...
Korea, Republic of	165	184	225	271	323	409	420	457	445	461	516	551	587
Laos	0.78	0.76	1.02	1.30	1.75	2.0	2.0	2.0	...	...	...	...	...
Malaysia													
East: Sarawak	2.2	2.6	3.2	4.1	4.8	6.7	7.0	7.0	6.7	7.3	7.5	7.7	7.6
West	123	135	154	177	199	220	226	232	231	241	...	...	...
Mongolia[t]	14.50	17.67	18.67	16.58	...	...	...	...	...	...	...	...	...
Nepal	1.08		1.17	1.67	2.50	...	...	...	...	...	...	...	...
Pakistan	192	242	296	330	325	...	...	...	...	...	...	...	...
Philippines (Manila)	185	207	232	255	287	319	335	320	336	364	...	...	...
Singapore	65	69	76	87	103	119	124	126	126	135	142	144	142
Thailand (Bangkok and Thonburi)	44	54	69	93	120	159	168	172	181	203	218	224	...
Viet-Nam, Republic of	29	33	39	44	50	57	59	59	50	58	72	69	64
Western Samoa[t] (Apia district)	0.48	0.49	0.53	0.61	0.60	0.67	0.71	0.72	0.72	...	...	...	...
Australia[t]	2 318	2 551	2 826	3 076	3 312	3 576	4 044	3 441	3 333	3 941	4 381	3 950	3 808
Japan[t]	11 480	12 850	14 657	15 698	17 389	19 795	20 794	20 877	21 079	20 888	...	...	...
New Zealand	648	734	797	871	931	957	1 111	881	835	1 058	1 170	1 063	936

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a. Including latex.
b. Including lignite. (India, monthly and quarterly data).
c. Including gas repressured (Indonesia: also including gas wasted).
d. Gas fields production only.
e. Specific gravity: Brunei, Burma, India, Iran, Pakistan and Malaysia (Sarawak), 0.84; China (Taiwan), 0.89; Indonesia, 0.85; Australia, 0.80; Japan, 0.90.
f. Approximate metal content of ores as follows: Hong Kong and the Philippines, 55-60%; India 61%; Republic of Korea, 45-55%; Malaysia (West), 60%; Thailand, 60-65%; Australia, 65%; Japan, 55%.
g. Including iron sand.
h. Production in government licensed plants only.
i. Mill production only.
j. Paper excluding paperboard: India, printing and writing; Republic of Korea, Australia and New Zealand, newsprint; Pakistan, newsprint, printing other than newsprint and writing.
k. P_2O_5 content.
m. 'N' content.
n. Comprising motor spirit, kerosene and other fuel oil for Burma; gasoline, diesel oil, kerosene and fuel oil for China (Taiwan) and Thailand; motor spirit, aviation spirit, kerosene, heavy oil, wax and paraffin, asphalt and cutback for Indonesia; motor spirit, kerosene, distillate fuel oils and residual fuel oil for Malaysia (Sarawak) and Philippines; motor spirit and kerosene for Pakistan; all products for other countries.
p. August—December.
q. Ingots only (India: beginning 1963).
s. Gross production by enterprises generally for public use.
t. Including production by industrial establishments generating primarily for own use.
u. Limited series. Prior to July 1962 excludes Cheung Chau Island.

15. CONSTRUCTION—NEW BUILDING

Monthly averages or calendar months

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
Ceylon: completed (Floor area—*thousand sq metres*)													
Residential	59.34	65.07	70.46	54.26	...	...	...	...	...	...	...	...	...
Non-residential	8.26	11.02	...	...	...	...	...	...	...	...	...	...	...
China (Taiwan): completed (Floor area—*thousand sq metres*)													
Public	11.04	41.58	48.82	149.61	238.90	308.79	326.8	301.9	349.1	349.7	409.2	455.6	...
Private	25.02												
Hong Kong: completed (Cost—*thousand Hong Kong dollars*)													
Residential	16 253	23 823	42 711	49 128	50 661	*47 409*	57 242	*60 670*	28 851	*33 670*	*16 681*	...	...
Industrial	3 661	4 938	5 427	13 707	13 197	*6 543*	10 307	*6 790*	2 798	*5 873*	*103*	...	...
Commercial	4 460	947	4 563	8 787	8 428	*14 080*	10 232	*8 022*	8 211	*5 516*	*11 341*	...	...
Others	3 857	5 064	10 276	8 342	10 303	*10 595*	6 002	*13 773*	7 796	*14 229*	*5 894*	...	...
Korea, Republic of: permits issued (Floor area—*thousand sq metres*)													
Residential	33	62	69	86	118	200	210	282	112	290	304	303	202
Non-residential	109	117	140	161	190	224	283	247	212	385	448	274	290
Philippines[a]: permits issued (Value—*thousand pesos*)													
Residential	1 936	2 199	3 099	2 692	2 144	2 190	2 434	1 657	2 800	2 764	...	...	...
Non-residential	2 951	3 125	4 074	5 222	5 138	4 104	2 833	3 499	4 026	8 037	...	...	...
Thailand: permits issued (Floor area—*thousand sq metres*)													
Residential	75	100	57	...	...	...	...	...	...	...	...	...	...
Non-residential	156	195	148	...	...	...	...	...	...	...	...	...	...
Viet-Nam, Republic of[b]: permits issued (Floor area—*thousand sq metres*)													
Apartments	7.92	7.27	20.58	26.00	31.74	15.04	20.86	11.82	4.64	4.17	18.13	7.58	5.90
Houses	9.20	7.95	14.40	14.82	21.91	15.27	16.00	12.27	5.94	2.84	12.25	13.73	13.23
Others	5.31	6.46	6.78	5.88	8.51	8.19	10.37	8.15	3.32	0.95	6.17	5.31	2.65
Australia: completed (*Number of buildings*)													
Houses and flats	7 231	7 604	8 768	9 598	9 330	9 641	9 960	10 741	8 974	10 273	10 639	...	...
Japan: started (Floor area—*thousand sq metres*)													
Residential	3 205	3 779	4 276	4 839	5 160	6 269	6 837	6 772	6 283	7 765	7 747	7 882	8 340
Industrial	1 335	1 304	1 584	1 173	1 230	2 017	2 139	2 232	2 127	2 399	2 260	2 300	2 595
Commercial	744	1 051	1 327	1 118	1 233	1 616	1 710	1 810	1 510	1 929	1 879	1 719	2 036
Others	1 103	1 102	1 369	1 395	1 467	1 464	1 626	2 002	1 507	1 570	1 965	2 174	2 053
New Zealand‡: permits issued (*Number of buildings*)													
Houses and flats	1 720	1 814	2 113	2 161	2 004	1 780	1 918	1 791	1 712	1 973	2 069	2 117	1 930

a. Manila only.

b. Saigon-Cholon only.

16. RAILWAYS: LENGTH AND ROLLING STOCK[a]

End of period

	LENGTH OF RAILWAYS *(km)*								NUMBER OF LOCOMOTIVES[b]							
	1961	1962	1963	1964	1965	1966	1967	1968	1961	1962	1963	1964	1965	1966	1967	1968
Burma	3 021	3 061	3 067	3 073	3 098	3 098	3 098	*3 098*	298	296	293	336	361	363	363	*363*
Cambodia	385	385	385	385	385	460	504	...	24	24	27	27	27	34	40	...
Ceylon	1 445	1 445	1 445	1 484	1 489	1 505	1 511	...	277	277	277	277	277	279	279	...
China (Taiwan)	979	979	979	979	975	975	981	*1 000*	296	267	267	267	267	312	309	*286*
Hong Kong	36	36	36	36	36	36	36	...	8	9	9	8	8	9	9	...
India	56 962	57 389	57 404	57 585	58 273	59 066	59 075	...	10 731	11 034	11 348	11 652	11 732	11 856	11 729	...
Indonesia	6 640	6 640	6 640	6 640	6 640	6 640	...	...	1 132	1 218	1 209	1 251	1 254	1 228	1 167	...
Iran	3 505	3 499	3 505	3 499	3 563	...	...	...	451	467	467	467	461	...	...	...
Korea, Republic of	3 022	3 032	3 038	2 956	2 980	3 063	3 105	...	445	375	405	397	397	434	455	...
Malaysia:																
East: Sabah	187	187	154	154	154	154	154	154	13	13	13	13	12	12	12	14
West[f]	2 092	2 092	2 092	2 092	2 092	2 155	2 156	...	176	176	188	185	211	224	224	...
Mongolia	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Pakistan	11 326	11 326	11 326	11 326	11 339	11 340	*11 340*	11 338	1 384	1 421	1 419	1 494	1 495	1 508	1 539	1 526
Philippines	1 020	1 020	1 031	1 031	1 031	1 031	1 031	1 031	131	130	123	155	143[g]	143[g]	113[g]	150[g]
Thailand	3 494	3 519	3 598	3 598	3 598	3 598	3 765	...	336	365	390	459	451	433	446	...
Viet-Nam, Republic of	1 391	1 250	1 250	1 250	1 250	1 250	1 250	...	105	103	116	108	124	113	139	...
Australia	42 007	41 170	41 033	40 496	40 287	40 242	40 328	...	3 327	3 196	3 031	2 891	2 826	2 742	2 623	...
Japan[i]	20 482	20 519	20 516	20 665	20 741	20 754	20 783	20 775	5 013	4 953	4 893	4 902	4 904	5 115	5 095	5 016
New Zealand	5 383	5 382	5 271	5 274	5 256	5 251	5 189	5 018	716	715	712	685	636	625	583	592

	NUMBER OF PASSENGER CARS[c]								NUMBER OF WAGONS[d]							
	1961	1962	1963	1964	1965	1966	1967	1968	1961	1962	1963	1964	1965	1966	1967	1968
Burma	962	1 015	963	987	1 046	1 062	1 092	*1 181*	8 948	8 663	7 787	8 364	8 630	8 863	9 256	*9 018*
Cambodia	59	64	65	65	65	59	65	...	453	453	466	466	466	416	486	...
Ceylon	1 030	1 031	1 100	1 093	1 133	1 118	1 089	...	3 112	3 057	3 627	3 537	3 603	3 569	3 593	...
China (Taiwan)	730	757	743	735	728	791	846	*908*	6 195	6 010	5 995	5 926	5 817	6 251	6 646	*6 833*
Hong Kong	50	65	73	71	71	70	70	70	210	204	204	198	198	147	147	...
India	28 852	30 098	31 328	32 109	32 634	33 345	33 594[e]	...	302 846	314 724	326 074	338 605	353 074	363 966	369 494	...
Indonesia	2 989	2 961	2 882	2 964	3 063	3 749	3 217	...	25 160	26 499	27 503	28 948	29 421	29 707	31 235	...
Iran	476	475	475	415	415	415	...	...	5 894	5 854	5 852	5 844	5 846	5 852	...	...
Korea, Republic of	1 305	1 445	1 609	1 422	1 473	1 561	1 506	...	9 435	9 659	10 479	10 764	10 587	11 454	12 617	...
Malaysia:																
East: Sabah	40	37	39	41	45	47	34	34	128	121	123	124	124	124	139	142
West[f]	382	382	387	392	394	419	409	...	6 269	6 214	6 230	6 379	6 417	6 526	6 592	...
Pakistan	4 176	4 162	4 067	4 226	4 470	4 669	4 648	4 596	45 017	46 304	48 689	51 853	53 153	54 351	55 220	57 497
Philippines	246	215	242	177	228[h]	228[h]	200[h]	226	1 636	1 849	1 849	1 844	1 651	1 826	1 573	1 693
Thailand	732	702	793	774	760	771	818	...	6 505	6 442	7 206	7 238	7 937	8 672	8 819	...
Viet-Nam, Republic of	246	241	287	196	175	169	167	...	1 383	1 747	1 245	1 468	2 066	2 059	2 059	...
Australia	9 172	9 177	8 969	8 829	8 777	8 748	8 727	...	92 455	91 094	90 020	88 929	88 781	88 205	86 887	...
Japan[i]	17 741	18 940	19 953	20 595	21 695	23 687	24 430	24 833	116 576	123 993	128 461	134 412	135 973	139 519	135 751	139 983
New Zealand	966	954	909	882	865	846	809	787	33 370	32 732	32 429	33 044	33 100	33 439	33 900	...

Source: United Nations Statistical Office.

[a] The figures show stock, which at the end of the working year, was under the control of the railway administration of the countries (i.e. stock of railways plus hired from, less that leased to others). The railways to which the figures refer are those open to public traffic excluding urban and suburban tramways, cable and funicular railways. Vehicles owned by other than railway administrations should be included in the stocks of the Administration which operates them.

[b] *Locomotives:* All rail vehicles equipped either with motive power and engines, or with motors only (e.g. electric locomotives) intended exclusively for hauling other vehicles. Excluding railcars.

[c] *Passenger carriages:* All passenger-carrying cars and railcars, baggage cars and railway-owned postal vans.

[d] *Wagons (freight cars):* All goods carrying cars, excluding railway service wagons.

[e] Excludes railway service vehicles.

[f] Includes Singapore.

[g] Includes 28 diesel rail motor cars, 1967 data includes 27 diesel rail motor cars and 17 new units.

[h] Includes 7 dining cars.

[i] National railways only.

17. ROADS: MOTOR VEHICLES IN USE[a]

End of Period

Thousands

	NUMBER OF PASSENGER CARS[b]								NUMBER OF COMMERCIAL VEHICLES[c]							
	1961	1962	1963	1964	1965	1966	1967	1968	1961	1962	1963	1964	1965	1966	1967	1968
Afghanistan (Kabul only)	5.2	5.9	7.1	8.1	12.8	18.7	27.6	29.2	8.4	8.8	9.3	9.7	12.6	16.3	17.5	17.8
Brunei	2.9	3.3	3.9	4.5	5.4	5.7	6.9	...	1.5	2.1	2.5	1.2	1.6	1.5	1.7	...
Burma[d]	19.5	21.9	24.8	26.7	25.2	28.5	28.1	28.7[e]	19.2	19.7	19.1	23.1	24.8	23.1	27.7	28.6[e]
Cambodia[f]	11.6	13.4	15.3	16.4	18.1	19.3	21.7	...	7.6[g]	8.2[g]	8.9[g]	9.3[g]	9.8[g]	10.3[g]	10.6[g]	...
Ceylon[d]	83.8	83.2	82.7	82.6	82.5	82.7	83.7	...	35.6	33.8	34.4	35.7	36.3	36.9	38.5[g]	...
China: Taiwan	9.0	10.0	11.0	12.4	15.1	19.2	25.1	*27.0*	11.5	12.2	13.2	14.8	17.5	21.3	24.5	*3.15*
Fiji	4.1	4.5	5.2	6.2	7.3	7.6	8.0	...	2.7	3.2	3.1	3.3	3.9	3.9	3.8	...
Hong Kong[h]	37.2	42.1	47.2	53.0	56.1	59.7	64.6	72.1[i]	10.8	12.3	15.1	18.4	18.6	19.1	19.5	20.0[i]
India	309.6[d]	339.6[d]	375.4[d]	388.4[d]	428.1[d]	456.8[d]	477.2[d]	...	260.3[j]	293.0[j]	332.3[j]	349.7[j]	376.5[j]	400.7[j]	411.6[j]	...
Indonesia[f]	121.3[j]	128.3[j]	143.6[j]	157.5[j]	166.8[j]	179.5[j]	185.0[j]	...	87.7	91.5	101.1	103.1	103.1	112.5	113.7	...
Iran	96.4	102.9	107.8	122.1	135.0	142.4	164.2	...	42.2	42.0	43.8	47.0	47.5	49.4	59.7	...
Korea, Rep. of	9.8	11.1	12.7	14.6	16.3	17.5	23.2	33.1	19.4	19.7	21.6	23.2	25.2	31.6	37.5	47.8
Laos	4.2	4.6	4.8	5.4	6.0	6.8	...	...	1.8	1.5	1.6	1.8	1.9	2.2	...	...
Malaysia:																
East:																
Sabah	5.8	6.3	7.5	8.0	8.7	10.6	13.4	...	2.6	3.3	3.8	4.0	4.4	4.9	5.6	...
Sarawak	3.5	3.8	4.4	5.4	6.6	7.7	11.3	10.7[e]	1.2	1.3	1.4	1.6	1.7	2.0	2.3	2.6[e]
West	107.5	117.6	129.7	144.2	159.6	174.5	181.1	...	34.0[g]	36.8[g]	39.0[g]	42.0[g]	45.6[g]	48.4[g]	50.7[g]	...
Nepal[k]	1.5	1.6	1.6	2.5	2.7	3.2	3.6	...	0.6	0.7	0.7	1.1	1.3	1.4	1.5	...
Pakistan[d]	78.2	85.6	94.4	107.7	122.8	113.2	...	...	40.9	46.1	47.4	50.9	55.2	56.0	...	...
Philippines	94.2	100.2	119.6	136.9	157.5	182.9	220.0	...	81.2	89.7	99.3	90.6	129.5	138.5	149.7	...
Singapore	73.6[d]	80.9[d]	89.3[d]	99.0[d]	108.4[d]	117.2	121.5[d]	125.3[d,m]	15.9[j,g]	17.2[j,g]	18.6[j,g]	19.9[j,g]	23.0[j,g]	24.9[j,g]	26.8[j,g]	29.1[g,j,m]
Thailand[h]	46.9	49.8	60.3	69.3	67.3[e]	90.9	110.0	...	56.2[g]	66.4[g]	72.4[g]	84.5[g]	75.7[g]	97.6[g]	132.5	...
Viet-Nam, Rep. of[d,n]	22.7[p]	29.0	30.6	32.6	34.3	37.9	40.3	...	22.9[p]	26.2	27.1	30.6	33.2	37.3	42.5	...
Western Samoa	0.5	0.6	0.6	0.6	0.6	0.7	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.6	0.8	0.5
Australia[d,q,s]	2 128.3[j]	2 300.1[j]	2 498.9[j]	2 708.7[j]	2 895.9[j]	3 060.6[j]	3 241.5[j]	...	806.0[j]	827.3[j]	844.5[j]	863.3[j]	873.7[j]	888.4[j]	901.2[j]	...
Japan: Heavy	569.4[b]	742.9[b]	1 009.8[b]	1 370.6[b]	1 787.5[b]	2 337.6[b]	3 095.1[b]	...	1 551.8	1 688.0	2 116.4	2 497.8	2 878.0	3 391.9	4 044.6	...
Light[t]	94.5	146.2	223.8	301.8	393.8	495.6	741.3	...	566.7	856.3	1 172.0	1 470.5	1 765.1	2 086.7	2 404.3	...
New Zealand[n]	541.2	573.2	604.8	656.0[u]	715.6[u]	749.9[u]	807.7[u]	830.2[u]	131.8[j]	137.9[j]	140.5[j]	146.8[j]	162.2[j]	171.7[j]	171.9[j]	172.4[j,v]

Source: United Nations Statistical Office.

a. Two- or three-wheeled cycles and motorcycles, trams, trolley-buses, ambulances, hearses, military vehicles, vehicles operated by police or other governmental security organizations and special purpose vehicles are excluded.

b. *Passenger cars:* motorcars seating less than eight persons (except Japan ten persons and less) including taxis, jeeps and station wagons.

c. *Commercial vehicles:* including lorries (trucks), buses, tractors, and semi-trailer combinations; excluding trailers and farm tractors.

d. Including vehicles operated by police or other governmental security organizations.

e. At the end of September.

f. Accumulated registrations including vehicles no longer in existence.

g. Excluding tractor (Singapore: and semi-trailer combinations).

h. Excluding governmental vehicles.

i. At the end of October.

j. Including special purpose vehicles.

k. Data relate to number of cars, lorries, trucks and buses in Kathmandu Valley.

m. At the end of November.

n. Including military vehicles.

p. Census figures (Australia: from 1961 to 1962 estimated figures based on census).

q. Beginning 1961, passenger cars exclude police and government vehicles.

s. Jeeps are included in commercial vehicles.

t. Including light vehicles with three wheels.

u. Beginning 1964, data are not fully comparable with those of previous years.

v. At the end of June.

18. VOLUME OF TRAFFIC: RAILWAYS, SEA-BORNE SHIPPING AND CIVIL AVIATION

Monthly averages or calendar months

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
RAILWAYS[a]													
Passenger-kilometres *(millions)*													
Burma†	128	128	136	180	203	213	185	188	181	173	194	175	162
Cambodia	6	7	8	10	9	12	13	13	13	14	*15*	…	…
Ceylon†	165	180	195	201	206	213	227	200	…	…	…	…	…
China (Taiwan)	290	296	336	372	387	426	430	424	469	446	453	480	458
Hong Kong	12	12	13	15	14	13	12	13	15	14	12	16	14
India‡	6 998	7 325	8 279	7 862	8 185	8 371	7 749	7 979	8 547	…	…	…	…
Indonesia	588	546	527	610	507	…	…	…	…	…	…	…	…
Iran	124	120	114	91	95	96	131	85	88	*76*	*175*	…	…
Korea, Republic of	489	548	613	576	722	798	877	775	767	932	*871*	…	…
Malaysia													
East: Sabah	1.75	1.83	1.83	1.83	1.67	…	…	…	…	…	…	…	…
West[b]	50	45	47	49	49	47	48	44	48	45	*45*	…	…
Mongolia	6.24	6.28	6.16	6.15	6.63	7.07	…	…	…	…	…	…	…
Pakistanφ	1 045	1 106	1 097	1 046	1 101	…	1 127	*1 123*	…	…	…	…	…
Philippinesφ	84	89	79	73	82	85	73	76	85	109	…	…	…
Thailand	213	226	234	245	275	306	270	300	354	*391*	…	…	…
Viet-Nam, Republic of	28	19	10	1.2	0.3	1.1	1.6	1.1	0.9	1.3	1.0	0.9	0.9
Australiaφ	296	297	296	292	290	…	…	…	…	…	…	…	…
Japan	17 275	18 503	19 910	20 987	21 532	22 225	22 524	22 206	22 638	23 237	23 328	23 994	22 350
New Zealand‡	61	61	58	57	57	39	33	28	33	29	28	…	…
Freight ton-kilometres *(millions)*													
Burma†[c]	62	69	67	74	75	74	56	60	79	*64*	63	55	66
Cambodia	4	6	7	8	3	6	4	3	7	8	*6*	…	…
Ceylon†	25	25	27	25	27	27	29	27	…	…	…	…	…
China (Taiwan)[c]	171	177	197	201	203	212	196	215	227	221	221	212	233
Hong Kong	1.08	1.26	1.82	2.60	3.11	1.81	0.55	2.28	1.86	1.90	2.49	3.61	3.73
India‡	8 096	8 645	8 152	8 788	8 913	9 007	8 780	8 448	9 711	*9 320*	…	…	…
Indonesia	97	90	89	80	75	…	…	…	…	…	…	…	…
Iran	116	121	165	193	186	157	146	181	180	*161*	*161*	…	…
Korea, Republic of	312	339	358	401	430	497	512	531	482	579	570	552	557
Malaysia													
East: Sabah	0.33	0.42	0.50	0.50	0.42	…	…	…	…	…	…	…	…
West[b]	59	52	60	80	82	90	96	90	93	87	*93*	…	…
Mongolia	155	110	73	75	86	87	…	…	…	…	…	…	…
Pakistanφ	717	798	796	763	798	…	802	*731*	…	…	…	…	…
Philippinesφ	15	16	13	12	12	12	14	11	11	12	…	…	…
Thailand	111	110	121	130	138	167	162	170	186	*171*	…	…	…
Viet-Nam, Republic of	13	15	11	3	1	2.4	1.6	1.7	0.9	1.3	*1.4*	1.8	2.0
Australiaφ	1 202	1 261	1 431	1 519	1 500	1 569	1 725	1 701	1 658	1 680	*1 785*	…	…
Japan	4 788	4 842	4 965	4 771	4 582	4 882	4 750	5 367	4 855	4 938	4 778	5 119	5 446
New Zealand‡	158	178	192	201	202	191	200	198	176	222	218	215	206
INTERNATIONAL SEA-BORNE SHIPPING													
Freight loaded (L) and unloaded (U) in external trade *(thousand tons)*													
Brunei L.	4	3	2	2	4	…	…	…	…	…	…	…	…
U.	7	9	12	15	16	…	…	…	…	…	…	…	…
Burma† L.	179	190	170	145	103	71	61	43	47	71	34	44	30
U.	80	80	86	116	81	77	42	61	66	129	75	76	115
Cambodia[d] L.	41	54	76	67	41	40	58	29	30	50	44	…	…
U.	48	56	43	46	48	50	44	51	56	78	39	…	…
Ceylon L.	83	64	95	75	81	78	80	73	71	68	…	…	…
U.	371	337	463	286	306	198	171	141	220	163	…	…	…
China (Taiwan) L.	188	259	296	302	308	304	303	255	339	350	287	279	257
U.	269	300	324	425	482	592	582	616	564	786	747	835	750
Fiji L.	26	35	41	39	37	…	…	…	…	…	…	…	…
U.	27	28	35	38	33	…	…	…	…	…	…	…	…
Hong Kong[e] L.	181	188	207	206	250	218	205	182	204	210	228	233	238
U.	604	687	744	764	782	715	652	681	691	776	714	883	668
India L.	598	666	708	764	910	…	…	…	…	…	…	…	…
U.	1 538	1 617	1 781	1 874	2 138	…	…	…	…	…	…	…	…
Indonesia[f] L.	1 183	1 465	1 650	1 656	1 524	1 775	…	…	…	…	…	…	…
U.	325	277	269	188	126	142	…	…	…	…	…	…	…

TRANSPORT

18. VOLUME OF TRAFFIC: RAILWAYS, SEA-BORNE SHIPPING AND CIVIL AVIATION *(Cont'd)*

Monthly averages or calendar months

		1962	1963	1964	1965	1966	1967	1967		1968				
								III	IV	I	II	III	Oct.	Nov.
INTERNATIONAL SEA-BORNE SHIPPING *(Cont'd)*														
Freight loaded (L) and unloaded (U) in external trade *(thousand tons) (Cont'd)*														
Iran*[g]	L.	4 829	5 422	6 038	7 444	7 984	9 844	15 552	8 970	8 683	*9 199*	...	...	...
	U.	118	113	193	190	188	192	147	237	226	254	237	193	...
Korea,	L.	67	72	88	131	139	149	103	*93*	115	104	91	99	...
Republic of	U.	306	361	347	431	564	811	725	*586*	801	755	750	987	...
Malaysia														
East: Sabah	L.	143	171	198	208	282	...	...	...	...	...	...	...	...
	U.	40	50	59	61	54	...	...	...	...	...	...	...	...
Sarawak[h]	L.	503	360	354	383	456	532	*498*	539	590	578	554	642	557
	U.	28	31	36	40	42	43	*43*	38	33	38	36	39	34
West	L.	654	668	820	838	751	743	1 065	617	563	944	1 062	...	...
	U.	348	396	519	535	577	602	627	582	682	649	670	...	...
Pakistanφ	L.	123	142	156	171	191	192	191	225	230	184	260	258	252
	U.	465	555	661	748	660	864	695	841	816	810	772	933	744
Philippines	L.	604	476	834	888	982	988	1 021	1 046	970	*1 156*	...	...	...
	U.	427	527	621	672	747	866	864	917	871	*986*	...	...	...
Singapore	L.	649	665	522	676	855	1 011	1 023	1 017	1 148	1 187	1 160	1 049	1 279
	U.	1 135	1 163	1 006	1 131	1 401	1 558	1 578	1 618	1 742	1 864	1 875	1 792	1 920
Thailand[i]	L.	280	293	394	483	490	435	252	325	386	328	281	491	...
	U.	235	255	302	372	520	670	673	598	631	684	623	676	...
Viet-Nam (Saigon)	L.	30	55	56	66	22	*22*	*20*	*23*	*43*	*64*	*67*	*79*	*79*
	U.	174	215	235	396	542	467	*551*	*573*	*450*	*456*	*501*	*482*	*610*
Western Samoa	L.	5.3	4.9	5.0	4.1	1.8	1.8	...	...	...	...	...	...	...
	U.	4.3	4.4	5.0	4.8	3.9	3.8	...	...	...	...	...	...	...
Australiaφ	L.	1 542	1 392	1 777	1 841	1 957	2 884	3 590	3 671	3 489	*3 749*	4 301	4 414	...
	U.	1 638	1 841	1 983	2 216	2 278	2 494	2 528	2 802	2 496	*2 649*	2 895	2 809	...
Japan[j]	L.	1 572	1 530	1 838	1 896	2 084	2 260	2 302	2 482	1 960	2 618	2 608	2 908	2 825
	U.	10 262	11 580	14 361	16 557	18 610	23 641	22 810	25 084	24 683	26 497	26 828	28 745	26 458
New Zealand	L.	176	181	221	219	227	248	242	244	374	335	347	230	336
	U.	443	489	615	614	677	586	566	586	569	571	664	711	619
CIVIL AVIATION[k]														
Passenger-kilometres *(millions)*														
Burma		5.38	4.87	5.03	5.85	5.29	6.25	5.37	7.11	7.84	8.63	7.46	9.27	8.60
Cambodia		1.34	1.14	1.23	2.26	3.81	4.14	4.35	4.47	4.14	3.88	4.12	...	...
Ceylon		3.23	4.83	4.29	5.68	8.37	8.79	11.41	8.63	8.63	6.86	8.38	8.25	...
China (Taiwan)		8.94	10.44	12.77	14.70	15.99	23.94	24.78	31.50	28.80	28.22	27.35	...	...
India		121.78	140.88	166.95	171.50	180.18	209.55	225.36	212.58	212.23	...	...	...	...
Indonesia		25.23	27.35	39.26	44.56	42.46	40.86	51.40	45.73	44.26	*47.05*	...	...	...
Iran		7.76	9.26	11.29	14.21	25.58	....	...	...	...	...	...	...	...
Malaysia[b, m]		9.64	13.95	17.97	26.46	31.75	42.50	46.85	48.68	44.11	49.22	59.80	...	68.20
Pakistan		53.50	59.19	71.19	76.96	91.11	112.53	113.33	121.30	118.39	113.51	123.50	...	...
Philippines		32.35	43.97	50.53	60.74	69.89	77.18	...	...	...	...	...	...	...
Thailand		11.14	13.66	15.83	16.92	26.21	30.55	29.75	34.42	33.05	39.10	39.10	...	...
Viet-Nam, Republic of		6.46	8.04	10.32	20.11	20.23	31.44	35.28	35.38	30.44	35.05	45.80	46.30	46.90
Australia		282.27	324.34	385.87	459.86	467.80	538.27	562.78	560.80	556.00	534.00	...	...	...
Japan[n]		186.65	260.63	333.08	382.80	447.59	564.35	482.61	413.79	375.00	506.55	...	...	...
New Zealand		46.14	52.00	60.72	74.45	92.04	95.05	89.55	84.93	109.92	97.46	*93.20*	...	...
Freight ton-kilometres *(thousands)*														
Burma		106	104	111	130	95	106	127	121	124	127	168	153	141
Cambodia		18	32	35	54	93	128	117	103	88	87	65	...	...
Ceylon		100	134	139	135	169	203	193	245	241	191	259	258	...
China (Taiwan)		137	152	156	171	172	328	374	434	371	295	351	...	...
India		5 135	5 731	6 286	6 335	6 423	7 488	7 768	7 976	7 554	...	...	...	...
Indonesia		475	543	704	880	897	1 103	1 171	1 078	1 024	*1 196*	...	...	...
Iran		139	67	79	114	219	...	...	...	...	...	...	...	...
Malaysia[b, m]		226	233	257	309	491	491	563	605	585	742	944	...	1 088
Pakistan		2 392	2 654	3 129	2 813	3 451	4 746	4 701	5 684	5 102	5 191	5 208	...	...
Philippines		447	662	875	1 152	1 573	2 056	...	...	...	...	...	...	...
Thailand		180	206	170	246	294	367	328	394	382	467	521	...	...
Viet-Nam, Republic of		59	73	93	223	227	275	295	333	244	303	378	437	441
Australia		9 499	10 219	11 999	14 702	15 137	15 912	15 588	18 001	15 065	17 295	...	...	...
Japan[n]		3 788	4 650	5 812	9 528	13 136	16 583	14 557	17 434	15 406	18 966	...	...	...
New Zealand		1 234	1 192	1 358	1 619	1 911	2 037	1 726	2 236	2 487	2 881	*2 684*	...	...

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a. Railway traffic coverage: *China (Taiwan)*, Taiwan Railway Administration; *India and Pakistan*, class 1 railways; *Philippines*, Manila Railroad Company.

b. Including Singapore.

c. Including service traffic.

d. Port of Phnom Penh and Sihanoukville.

e. Including transhipments.

f. Excluding re-exports, transit traffic and packing.

g. Caspian Sea traffic included. Including imports and exports other than sea.

h. Including mail, passengers' baggage, bullion and specie.

i. Annual data cover all ports. Monthly data relate to the port of Bangk only.

j. Including goods imported and exported other than by sea.

k. Scheduled domestic and international routes.

m. Data relate to operations of Malaysia-Singapore Airlines Limited (MAS).

n. Monthly data, JAL only.

19. VALUE OF IMPORTS AND EXPORTS AND BALANCE OF TRADE

Monthly averages or calendar months

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
AFGHANISTAN* *(million Afghanis)*													
Imports	487	525	692	784	939	...	...	...	...	...	...	...	...
Exports	247	288	346	419	433	...	...	...	...	...	...	...	...
Balance	−240	−237	−346	−365	−506	...	...	...	...	...	...	...	...
BRUNEI *(million Malaysian dollars)*													
Imports	4.1	5.3	8.0	9.2	12.5	10.9	...	...	...	...	...	...	...
Exports	16.6	15.2	15.6	16.6	18.8	20.7	...	...	...	...	...	...	...
Balance	+12.5	+9.9	+7.6	+7.4	+6.3	+9.8	...	...	...	...	...	...	...
BURMA *(million kyats)*													
Imports	87	93	108	98	63	56	62	60	64	75	88	76	67
Exports	105	107	94	89	77	49	48	31	36	52	32	37	31
Balance	+18	+14	−14	−9	+14	−7	−14	−29	−28	−23	−56	−39	−36
CAMBODIA *(million riels)*													
Imports	299	313	239	300	324	280	282	266	374	372	...	...	...
Exports	159	260	281	308	196	242	358	155	185	294	...	...	...
Balance	−140	−53	+42	+8	−28	−38	+76	−111	−189	−78	...	...	...
CEYLON[a] *(million rupees)*													
Imports	138	125	165	123[b]	169	145	140	122	199	177	182	170	188
Exports	151	144	156	162	142	141	151	135	157	131	214	196	192
Balance	+13	+19	−9	+39	−27	−4	+11	+13	−42	−46	+32	+26	+4
CHINA (Taiwan) *(million new Taiwan dollars)*													
Imports	1014	1207	1430	1858	2080	2673	2689	2995	2392	2668	2868	4099	4083
Exports	728	1107	1447	1499	1788	2136	2123	2035	2156	3008	2597	2751	2955
Balance	−286	−100	+17	−359	−292	−537	−566	−960	−236	+340	−271	−1348	−1128
AID imports	252	264	151	212	90	141	126	79	23	37	32	77	36
FIJI *(million Fijian pounds)*													
Imports	1.45	1.68	2.30	2.42	2.11	2.35	2.57	2.26	2.32	...	...	...	...
Exports[c]	1.31	1.85	2.18	1.77	1.62	1.78	2.23	2.77	1.10	...	...	...	...
Balance	−0.14	+0.17	−0.12	−0.65	−0.49	−0.57	−0.34	+0.51	−1.22	...	...	...	...
HONG KONG *(million Hong Kong dollars)*													
Imports	555	618	713	747	841	871	693	969	919	1005	1047	1226	1095
Exports	366	416	482	544	630	732	704	836	712	841	938	1064	959
Balance	−189	−202	−231	−203	−211	−139	+11	−133	−207	−164	−109	−162	−136
Domestic exports	276	319	369	419	477	558	559	667	559	663	759	856	760
INDIA[d] *(million rupees)*													
Imports	937	983	1141	1160	1707	1755	1636	1557	1685	1735	1460	1313	1371
Exports	557	645	677	670	986	1008	1010	1100	988	1027	1215	1240	1120
Balance	−380	−338	−464	−490	−721	−747	−626	−457	−697	−708	−245	−73	−251
INDONESIA[e] *(million new rupiahs)*													
Imports	539	419	576	598	477	612	446	610	468	...	...	...	...
Exports	553	580	604	590	566	548	550	609	515	...	...	...	...
Balance	+14	+161	+28	−8	+89	−64	+104	−1	+47	...	...	...	...
IRAN*[f] *(billion rials)*													
Imports	3.48	3.27	4.22	5.43	5.87	7.11	7.10	7.67	9.14	8.42	9.41	8.33	8.52
Exports	5.79	5.81	7.91	8.23	8.26	12.18	15.77	16.18	10.32	9.88	13.55	13.83	11.66
Balance	+2.31	+2.54	+3.69	+2.80	+2.39	+5.07	+8.67	+8.51	+1.18	+1.46	+4.14	+5.50	+3.14
KOREA, Republic of *(million U.S. dollars)*													
Imports	35.2	46.7	33.7	38.6	59.7	83.0	81.0	114.1	98.7	118.3	116.5	110.8	133.4
Exports	4.6	7.2	9.9	14.6	20.9	26.7	25.8	34.5	27.8	39.7	39.0	38.5	39.0
Balance	−30.6	−39.5	−23.8	−24.0	−38.8	−56.3	−55.2	−79.6	−70.9	−78.6	−77.5	−72.3	−94.4
LAOS[g] *(million kips)*													
Imports	160.8	176.9	510.3	657.8	836.4	975.6	919.0	827.0	...	...	...	...	...
Exports	5.2	4.8	17.7	20.6	29.8	88.8	112.1	112.1	...	...	...	...	...
Balance	−155.6	−172.1	−492.6	−637.2	−806.6	−886.8	−806.9	−714.9	...	...	...	...	...
MALAYSIA[h] *(million Malaysian dollars)*													
EAST													
SABAH													
Imports	19.8	25.4	25.2	27.9	28.5	27.4	28.3	26.4	25.0	29.2	29.2	32.3	29.7
Exports	19.6	22.9	21.7	25.4	29.9	34.1	39.5	33.3	29.3	38.7	36.0	39.4	49.6
Balance	−0.2	−2.5	−3.5	−2.5	+1.4	+6.7	+11.2	+6.9	+4.3	+9.5	+6.8	+7.1	+19.9
SARAWAK													
Imports	33.1	32.8	35.6	40.4	43.8	44.7	45.1	45.4	45.3	49.0	48.3	...	...
Exports	33.9	31.2	31.8	36.1	38.6	41.9	42.5	41.6	44.4	51.7	51.5	...	...
Balance	+0.8	−1.6	−3.8	−4.3	−5.2	−2.8	−2.6	−3.8	−0.9	+2.7	+3.2	...	...
WEST													
Imports	204	210	210	217	219	215	217	207	218	226	239	230	258
Exports	218	225	231	258	259	242	253	229	238	250	287	311	292
Balance	+14	+15	+21	+41	+40	+27	+36	+22	+20	+24	+48	+81	+34

19. VALUE OF IMPORTS AND EXPORTS AND BALANCE OF TRADE *(Cont'd)*

Monthly averages or calendar months

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
NEPAL[i] *(million Nepalese rupees)*													
Imports	37.0	50.3	50.4	...	...	...	...	...	...	...	...	...	...
Exports	22.1	24.0	24.3	...	...	...	...	...	...	...	...	...	...
Balance	−14.9	−26.3	−26.1	...	...	...	...	...	...	...	...	...	...
PAKISTAN *(million rupees)*													
Imports	293	353	396	414	357	437	398	382	392	379	417	448	391
Exports	158	165	196	210	238	256	251	273	307	285	269	267	303
Balance	−135	−188	−200	−204	−119	−181	−147	−109	−85	−94	−148	−181	−88
PHILIPPINES *(million US dollars)*													
Imports	54.6	57.2	72.4	74.5	79.8	97.6	104.2	96.4	100.5	103.0	117.4	113.3	102.5
Exports	46.3	60.6	61.8	64.0	69.0	67.7	62.0	75.3	66.6	80.0	66.7	79.4	68.5
Balance	−8.3	+3.4	−10.6	−10.5	−10.8	−29.9	−42.2	−21.1	−33.9	−23.0	−50.7	−33.9	−34.0
SINGAPORE[j] *(million Singapore dollars)*													
Imports	336	357	290	317	339	367	359	378	396	434	434	443	430
Exports	285	290	231	250	281	291	306	297	290	318	338	350	351
Balance	−51	−67	−59	−67	−58	−76	−53	−81	−106	−116	−96	−93	−79
THAILAND[k] *(million baht)*													
Imports	946	1055	1179	1275	1532	1722	1673	1720	1931	1960	2022	...	...
Exports	794	806	1028	1078	1175	1180	1032	976	1138	1062	1039	...	...
Balance	−152	−249	−151	−197	−357	−542	−641	−744	−793	−898	−983	...	...
VIET-NAM, Republic of[m] *(million piastres)*													
Imports	772	835	868	1042	2959	3587	3080	2749	2239	2207	2668	5158	4880
Exports	165	224	141	104	159	109	86	106	78	55	90	81	91
Balance	−607	−611	−727	−938	−2800	−3478	−2994	−2643	−2161	−2152	−2578	−5077	−4789
WESTERN SAMOA[n] *(thousand tala)*													
Imports	477	501	590	548	478	470	465	446	367	424	470	716	485
Exports	468	433	420	347	274	262	305	264	287	292	245	625	108
Balance	−9	−68	−170	−201	−204	−208	−160	−182	−80	−132	−225	−91	−377
AUSTRALIA *(million Australian dollars)*													
Imports[p]	144.9	177.4	194.1	236.8	241.5	250.3	271.7	242.8	279.1	278.2	299.3	323.9	291.8
Exports	175.0	175.2	227.1	214.9	219.5	244.6	238.4	253.2	228.8	257.9	249.0	285.4	250.3
Balance	+30.1	−2.2	+33.0	−21.9	−22.0	−5.7	−33.3	+10.4	−50.3	−20.3	−50.3	−38.5	−41.5
JAPAN *(billion yen)*													
Imports	169.1	202.1	238.1	245.1	285.7	349.9	339.5	375.6	374.3	390.5	380.3	405.6	408.9
Exports	147.5	163.6	200.2	253.6	293.3	313.2	327.4	346.8	313.5	380.5	406.7	425.1	431.0
Balance	−21.6	−38.5	−37.9	+8.5	+7.6	−36.7	−12.1	−28.8	−60.8	−10.0	+26.4	+19.5	+22.1
NEW ZEALAND[q] *(million New Zealand dollars)*													
Imports	45.1	54.2	58.5	63.1	65.6	58.0	57.4	46.0	61.1	58.4	73.2	79.4	72.5
Exports	47.8	55.3	64.5	60.3	65.0	60.4	48.7	56.4	79.3	82.7	64.0	71.5	70.0
Balance	+2.7	+1.1	+6.0	−2.8	−0.6	+2.4	−8.7	+10.4	+18.2	+24.3	−9.2	−7.9	−2.5

General Notes: Special trade system for Brunei, Cambodia, China (Taiwan), Indonesia, Iran, Laos, Republic of Korea, Malaysia (East) and the Republic of Viet-Nam; general trade for other countries. Figures on imports include aid unless otherwise specified, all external trade statistics are based on national customs returns.

[a] New par value of Ceylon rupee changed on 21 November 1967 from 4.76190 to 5.95237 per US dollar.

[b] The sharp fall in 1965 should be interpreted with due reservation. For details see page 134, Central Bank of Ceylon *Annual Report*, 1965.

[c] Exports excluding the value of Sugar Preference Certificates.

[d] The trade for the period January-May 1966 has been revalued at the new rate of 7.50 rupees per US$ introduced in June 1966 (prior to 1966: the trade is valued at the rate of 4.76 rupees per US$). The data from 1966 are preliminary and exclude important amount of food grains imported on government account.

[e] Data for 1962-1965 are converted from old rupiah into US$ at the rate of 45 rupiahs per US$, and are again converted into new rupiah at the rate of 10 new rupiahs per US$.

[f] The data shown are suitable for comparison with domestic transactions; including exports of the National Oil Company of Iran. Beginning 1963, twelve months ending 20 December of year stated.

[g] Conversion rate of the Kip changed in January 1964 from 80 to 240 per US dollar.

[h] Including inter-trade between the three states.

[i] Year ending 15 July of year stated.

[j] Beginning 1968, excluding transhipments to and from West Malaysia.

[k] Excluding gold, military aid goods and monetary items.

[m] The trade for the period January-May 1966 has been revalued at the rate of 80 piastres per US$ introduced in June 1966 (prior to 1966: the trade is valued at the rate of 35 piastres per US$).

[n] Imports valued f.o.b. in the country of export plus 10% and are in terms of the tala introduced in 10 July 1967 with a value of 0.5 Western Samoan pound.

[p] Imports valued f.o.b.

[q] Data shown for comparability in terms of the New Zealand dollar introduced 10 July 1967, with a value of 0.5 New Zealand pound.

20. DIRECTION OF INTERNATIONAL TRADE

Quarterly averages or quarters

Million dollars

Imports from or Exports to		1962*	1963*	1964*	1965	1966	1967	1967		1968		
								III	IV	I	II	III
AFGHANISTAN												
All countries	Imp.	29.0	31.4	35.3	16.0	...	...	...	...	...	...	...
	Exp.	13.4	17.3	17.7	18.3	18.8	...	...	...	...	...	...
ECAFE countries[a]	Imp.	4.4	5.2	5.5	7.5	...	...	...	...	...	...	...
	Exp.	2.0	3.2	4.4	4.6	3.9	...	...	...	...	...	...
Developing ECAFE countries	Imp.	2.6	3.1	3.2	5.4	...	...	...	...	...	...	...
	Exp.	2.0	3.2	4.4	4.6	3.8	...	...	...	...	...	...
Japan	Imp.	1.8	2.2	2.3	2.1	...	...	...	...	...	...	...
	Exp.	—	—	—	—	—	—		—	—	—	—
Western Europe (including UK)	Imp.	1.4	1.5	4.0	4.7	...	...	...	...	...	...	...
	Exp.	3.0	3.1	3.1	5.8	5.4	...	...	...	...	...	...
UK	Imp.	0.4	0.5	0.5	0.6	...	...	...	...	...	...	...
	Exp.	1.9	2.4	1.6	3.2	3.2	...	...	...	...	...	...
USSR and Eastern Europe	Imp.	19.4	17.4	17.8	...	...	...	...	...	...	...	...
	Exp.	6.4	7.0	6.7	4.9	6.6	...	...	...	...	...	...
North America	Imp.	2.7	5.6	5.5	3.8	...	...	...	...	...	...	...
	Exp.	2.2	2.8	2.2	2.5	2.4	...	...	...	...	...	...
USA	Imp.	2.7	5.6	5.5	3.8	...	...	...	...	..	...	...
	Exp.	2.2	2.8	2.2	2.5	2.4	...	...	...	...	...	...
South America	Imp.	—	—	—	—	...	...	...	...	...	...	...
	Exp.	—	—	—	—	—	...	...	...	...	...	...
Middle East and Africa	Imp.	—	—	—	—	...	...	...	...	...	...	...
	Exp.	—	—	—	0.3	0.4	...	...	...	...	...	...
BRUNEI												
All countries	Imp.	4.0	5.4	*8.3*	*9.3*	*12.8*	...	...	...	...	...	...
	Exp.	16.3	15.0	*15.3*	*16.3*	*18.4*	...	...	...	...	...	...
ECAFE countries[a]	Imp.	1.5	1.9	*3.4*	*4.0*	*5.4*	...	...	...	...	...	...
	Exp.	16.1	14.9	*15.1*	*16.3*	*18.4*	...	...	...	...	...	...
Developing ECAFE countries	Imp.	1.2	1.4	*2.6*	*2.9*	*3.8*	...	...	...	...	...	...
	Exp.	16.1	14.9	*15.1*	*16.2*	*18.3*	...	...	...	...	...	...
Japan	Imp.	0.2	0.3	*0.5*	*0.8*	*1.1*	...	...	...	...	...	...
	Exp.	—	—	—	—	—	...	...	...	...	...	...
Western Europe (including UK)	Imp.	1.7	2.3	*3.8*	*3.5*	*5.7*	...	...	...	...	...	...
	Exp.	—	—	—	—	*0.1*	...	...	...	...	...	...
UK	Imp.	1.4	1.7	*2.8*	*2.7*	*3.8*	...	...	...	...	...	...
	Exp.	—	—	—	—	—	...	...	...	...	...	...
USSR and Eastern Europe	Imp.	0.2	0.2	—	*0.1*	*0.1*	...	...	...	...	...	...
	Exp.	—	—	—	—	—	...	...	...	...	...	...
North America	Imp.	0.2	0.5	*0.9*	*1.6*	*1.4*	...	...	...	...	...	...
	Exp.	—	—	—	—	—	...	...	...	...	...	...
USA	Imp.	0.2	0.5	*0.9*	*1.5*	*1.4*	...	...	...	...	...	...
	Exp.	—	—	—	—	—	...	...	...	...	...	...
South America	Imp.	—	—	—	—	—	...	...	...	...	...	...
	Exp	—	—	—	—	—	...	...	...	...	...	...
Middle East and Africa	Imp.	—	—	—	—	—	...	...	...	...	...	...
	Exp.	—	—	—	—	—	...	...	...	...	...	...
BURMA												
All countries	Imp.	54.2	58.2	67.5	61.8	39.5	...	...	...	...	...	...
	Exp.	64.4	67.2	59.5	56.2	47.2	...	...	...	...	...	...
ECAFE countries[a]	Imp.	29.8	31.9	31.6	36.5	19.4	...	...	...	...	...	...
	Exp.	42.0	45.3	38.1	38.2	30.8	...	...	...	...	...	...
Developing ECAFE countries	Imp.	15.1	13.9	19.0	16.7	8.6	...	...	...	...	...	...
	Exp.	38.8	41.4	34.1	32.7	27.5	...	...	...	...	...	...
Japan	Imp.	12.5	15.4	11.6	17.9	9.0	...	...	...	...	...	...
	Exp.	3.2	3.9	4.0	5.5	3.3	...	...	...	...	...	...
Western Europe (including UK)	Imp.	16.2	14.9	19.6	14.8	11.9	...	...	...	...	...	...
	Exp.	12.5	13.6	11.7	10.5	10.4	...	...	...	...	...	...
UK	Imp.	8.2	8.0	6.4	5.5	4.9	...	...	...	...	...	...
	Exp.	6.3	6.6	5.4	3.2	3.2	...	...	...	...	...	...
USSR and Eastern Europe	Imp.	3.2	5.2	4.5	5.6	3.6	...	...	...	...	...	...
	Exp.	4.2	4.6	7.0	4.4	1.3	...	...	...	...	...	...
North America	Imp.	2.7	4.0	6.7	4.3	4.2	...	...	...	...	...	...
	Exp.	0.2	0.1	0.2	0.3	0.6	...	...	...	...	...	...
USA	Imp.	2.4	3.8	6.4	4.2	4.2	...	...	...	...	...	...
	Exp.	0.2	0.1	0.2	0.2	0.5	...	...	...	...	...	...
South America	Imp.	—	—	—	—	—	...	...	...	...	...	...
	Exp.	—	—	—	—	—	...	...	...	...	...	...
Middle East and Africa	Imp.	1.9	0.3	5.1	0.3	0.4	...	...	...	...	...	...
	Exp.	4.9	2.6	2.3	2.6	2.9	...	...	...	...	...	...

20. DIRECTION OF INTERNATIONAL TRADE *(Cont'd)*

Quarterly averages or quarters — *Million dollars*

Imports from or Exports to		1962	1963	1964	1965	1966	1967	1967		1968		
								III	IV	I	II	III
CAMBODIA												
All countries	Imp.	25.6	26.9	20.5	25.8	*27.8*	...	...	...	...	...	...
	Exp.	13.6	22.3	21.8	26.3	*16.8*	...	...	...	...	...	...
ECAFE countries[a]	Imp.	11.8	12.5	11.1	11.9	*12.5*	...	...	...	...	...	...
	Exp.	4.9	6.6	9.7	11.8	*7.7*	...	...	...	...	...	...
Developing ECAFE countries	Imp.	7.9	6.9	6.8	7.5	*8.6*	...	...	...	...	...	...
	Exp.	4.6	6.1	8.8	10.5	*6.4*	...	...	...	...	...	...
Japan	Imp.	3.9	5.6	4.2	4.4	*3.8*	...	...	...	...	...	...
	Exp.	0.2	0.5	1.0	1.4	*1.2*	...	...	..	...	...	...
Western Europe (including UK)	Imp.	7.6	8.5	6.0	9.3	*11.3*	...	...	...	...	...	...
	Exp.	5.8	8.0	6.1	7.4	*4.8*	...	...	...	...	...	...
UK	Imp.	0.7	1.0	0.9	1.3	*1.1*	...	...	...	...	...	...
	Exp.	1.5	0.5	0.3	0.5	*0.4*	...	...	...	...	...	...
USSR and Eastern Europe	Imp.	2.0	2.3	2.2	3.7	*3.2*	...	...	...	...	...	...
	Exp.	1.0	3.0	1.8	2.0	*1.2*	...	...	...	...	...	...
North America	Imp.	3.5	2.9	1.0	0.8	*0.7*	...	...	...	...	...	...
	Exp.	1.1	1.9	0.8	0.8	*0.4*	...	...	...	...	...	...
USA	Imp.	3.5	2.9	1.0	0.8	*0.7*	...	...	...	...	...	...
	Exp.	1.3	1.9	0.6	0.8	*0.4*	...	...	...	...	...	..
South America	Imp.	—	—	—	—	—	...	...	...	...	...	...
	Exp.	—	—	—	—	—	...	...	...	...	...	...
Middle East and Africa	Imp.	—	0.3	0.1	—	*0.1*	...	...	...	...	...	...
	Exp.	—	2.5	3.4	4.2	*2.8*	...	...	...	...	...	...
CEYLON												
All countries	Imp.	86.9	79.4	104.2	77.5	106.5	89.9	89.0	71.1	100.0	91.6	...
	Exp.	92.7	89.6	96.5	102.4	88.0	84.2	92.5	72.5	76.5	63.1	...
ECAFE countries[a]	Imp.	42.7	35.8	51.0	34.2	51.2	38.1	38.5	28.6	46.5	40.0	...
	Exp.	21.1	18.9	21.3	23.6	21.2	19.7	21.5	14.9	19.8	12.6	...
Developing ECAFE countries	Imp.	28.0	26.2	37.4	23.2	39.2	27.1	27.7	19.5	34.0	30.7	...
	Exp.	12.4	9.8	13.0	14.1	13.3	10.9	10.9	8.0	12.4	6.1	...
Japan	Imp.	9.5	5.2	7.0	5.8	6.6	5.0	4.7	4.1	5.8	4.0	...
	Exp.	2.0	2.1	2.0	2.0	2.2	2.2	3.3	1.1	2.9	1.5	...
Western Europe (including UK)	Imp.	28.4	25.5	30.4	24.8	30.8	29.6	30.0	18.6	28.9	20.0	...
	Exp.	37.1	36.1	37.9	37.7	30.6	33.2	39.0	28.4	30.5	24.7	...
UK	Imp.	18.0	15.8	16.9	13.9	17.9	14.2	16.1	9.8	15.2	10.4	...
	Exp.	27.9	27.3	27.9	26.5	21.8	24.4	27.9	20.2	21.0	16.1	...
USSR and Eastern Europe	Imp.	4.5	7.0	8.4	8.4	10.4	8.1	7.6	8.2	4.4	10.6	...
	Exp.	4.2	5.1	7.7	8.1	7.1	5.0	2.7	4.5	3.4	5.0	...
North America	Imp.	2.9	3.8	3.2	3.4	5.4	6.4	3.6	6.9	12.5	6.4	...
	Exp.	12.4	11.7	11.5	11.7	10.2	10.7	7.7	9.9	8.7	8.7	...
USA	Imp.	2.5	3.1	2.8	3.0	4.2	5.5	4.4	5.7	11.0	4.9	...
	Exp.	8.0	7.6	7.8	7.7	7.1	7.2	7.3	6.5	5.8	5.3	...
South America	Imp.	—	—	—	—	—	—	—	—	—	—	—
	Exp.	—	—	—	—	—	—	—	—	—	—	—
Middle East and Africa	Imp.	1.6	2.0	1.4	1.5	1.0	2.0	1.9	2.9	2.6	0.8	...
	Exp.	4.9	5.5	5.9	5.8	4.6	5.7	5.7	5.1	4.8	3.8	...
CHINA (Taiwan)												
All countries	Imp.	74.5	89.0	106.3	139.2	154.0	200.4	199.5	228.4	178.4	200.2	...
	Exp.	53.5	81.8	107.6	112.4	132.8	158.2	156.6	149.7	159.8	222.4	...
ECAFE countries[a]	Imp.	32.2	35.9	49.5	68.8	81.2	104.3	110.3	117.2	102.1	109.8	...
	Exp.	33.1	56.5	71.1	68.7	80.7	84.9	80.7	77.3	73.0	108.6	...
Developing ECAFE countries	Imp.	4.8	7.3	9.9	9.8	12.5	16.3	16.9	21.2	19.6	18.8	...
	Exp.	19.9	29.4	36.3	32.4	46.8	54.9	59.1	51.7	49.4	57.5	...
Japan	Imp.	26.0	26.8	37.2	56.0	63.3	84.7	85.5	89.9	78.4	86.2	...
	Exp.	13.0	26.3	33.4	35.0	32.4	28.1	19.4	22.9	21.1	48.8	...
Western Europe (including UK)	Imp.	5.2	6.0	8.7	11.4	13.6	18.3	15.7	23.1	16.8	14.3	...
	Exp.	4.3	6.8	7.8	11.4	12.8	17.3	15.0	13.4	18.5	17.6	...
UK	Imp.	0.7	1.0	1.5	2.2	2.5	2.7	2.6	2.6	3.7	2.8	...
	Exp.	0.8	1.1	0.6	0.8	1.1	1.3	1.3	1.6	1.6	1.3	...
USSR and Eastern Europe	Imp.	—	—	—	—	—	—	—	—	—	—	—
	Exp.	—	—	—	—	—	—	—	—	—	—	—
North America	Imp.	29.7	38.9	36.8	48.6	45.6	67.1	63.3	73.3	53.5	69.8	...
	Exp.	13.9	15.0	21.9	27.2	33.4	48.8	55.4	51.5	61.4	90.5	...
USA	Imp.	28.8	37.6	34.8	44.7	41.1	62.1	60.5	68.3	46.3	63.1	...
	Exp.	13.3	13.5	20.3	24.8	29.6	42.4	46.7	45.9	54.3	72.8	...
South America	Imp.	0.4	0.5	1.1	1.5	1.0	0.7	0.7	1.0	0.5	0.4	...
	Exp.	0.2	0.4	0.5	—	—	—	—	—	—	0.1	...
Middle East and Africa	Imp.	5.1	6.1	7.6	7.5	12.0	8.5	8.2	12.2	3.5	4.2	...
	Exp.	1.0	1.5	4.0	3.7	4.5	4.8	2.9	4.9	4.1	3.2	...

20. DIRECTION OF INTERNATIONAL TRADE *(Cont'd)*

Quarterly averages or quarters *Million dollars*

Imports from or Exports to		1962	1963	1964	1965	1966	1967	1967		1968		
								III	IV	I	II	III
FIJI												
All countries	Imp.	10.9	12.8	17.5	18.3	15.9	17.2	...	...	...	...	...
	Exp.	9.9	13.8	16.1	13.5	12.0	13.1	...	...	...	...	...
ECAFE countries[a]	Imp.	6.5	8.3	11.3	11.6	10.3	11.4	...	...	...	...	...
	Exp.	2.9	2.3	4.4	3.0	2.4	3.3	...	...	...	...	...
Developing ECAFE countries	Imp.	1.7	2.4	2.8	2.8	2.6	2.9	...	...	...	...	...
	Exp.	0.3	0.3	0.8	0.5	0.4	0.4	...	...	...	...	...
Japan	Imp.	0.9	1.3	2.3	2.2	2.3	2.7	...	...	...	...	...
	Exp.	0.4	0.4	0.2	0.4	0.2	0.6	...	...	...	...	...
Western Europe (including UK)	Imp.	3.3	3.4	4.4	4.8	4.1	3.9	...	...	...	...	...
	Exp.	4.4	6.6	6.8	5.9	5.5	5.4	...	...	...	...	...
UK	Imp.	3.0	3.0	3.8	4.2	3.2	3.1	...	...	...	...	...
	Exp.	3.6	5.9	6.2	5.5	5.3	5.4	...	...	...	...	...
USSR and Eastern Europe	Imp.	—	0.1	—	—	—	—	—	—	—	—	—
	Exp.	—	—	—	—	0.1	—	—	—	—	—	—
North America	Imp.	0.7	0.6	1.1	1.3	1.2	1.4	...	...	...	...	...
	Exp.	1.2	3.8	3.3	2.8	2.3	2.5	...	...	...	...	...
USA	Imp.	0.4	0.4	0.7	0.8	0.9	1.0	...	...	...	...	...
	Exp.	0.4	1.6	1.4	1.6	1.5	1.7	...	...	...	...	...
South America	Imp.	—	—	—	—	—	—	—	—	—	—	—
	Exp.	—	—	0.1	0.1	—	—	—	—	—	—	—
Middle East and Africa	Imp.	0.1	—	0.2	0.2	0.3	0.4	...	...	...	...	...
	Exp.	—	—	—	—	—	—	—	—	—	—	—
HONG KONG												
All countries	Imp.	290.8	324.0	374.0	392.3	441.6	457.3	363.8	509.2	453.9	497.8	518.7
	Exp.	191.7	218.0	253.2	285.7	330.8	384.3	369.2	439.4	351.5	416.9	464.2
ECAFE countries[a]	Imp.	156.6	182.9	222.4	230.1	265.8	266.4	196.2	300.6	261.4	287.2	305.9
	Exp.	68.8	73.8	82.7	86.3	102.2	119.1	106.1	125.5	99.8	113.8	120.2
Developing ECAFE countries	Imp.	99.7	119.8	144.0	153.1	175.6	167.1	119.9	190.6	165.3	164.7	169.5
	Exp.	52.2	52.2	59.9	58.5	72.7	83.2	72.7	85.2	63.9	76.3	80.4
Japan	Imp.	48.0	54.2	67.8	67.8	80.4	87.3	72.0	96.9	86.6	107.6	120.8
	Exp.	9.6	13.4	13.9	17.0	19.2	22.0	19.8	23.7	21.1	23.7	23.2
Western Europe (including UK)	Imp.	71.7	77.5	80.0	88.1	91.5	95.7	80.0	95.9	94.9	100.9	101.8
	Exp.	49.8	63.3	75.7	78.9	90.9	99.2	98.4	111.6	94.3	108.9	113.5
UK	Imp.	33.2	37.6	36.7	42.1	44.2	43.0	36.3	40.1	43.5	44.2	43.7
	Exp.	32.3	39.7	44.8	39.7	44.5	51.5	50.4	61.3	52.2	61.3	58.9
USSR and Eastern Europe	Imp.	1.3	2.0	1.1	1.1	1.2	1.0	0.8	1.4	1.7	2.1	2.6
	Exp.	—	0.1	0.1	—	—	—	—	0.1	—	—	—
North America	Imp.	39.5	39.8	50.2	49.9	53.7	67.1	63.0	76.8	68.6	83.9	78.8
	Exp.	47.3	51.8	64.6	90.1	107.2	131.3	136.7	158.1	124.8	156.8	191.0
USA	Imp.	34.7	34.3	43.0	43.5	47.7	61.7	57.1	71.5	61.9	75.6	72.3
	Exp.	39.7	44.2	55.7	79.0	93.7	115.2	120.3	139.0	110.3	138.4	169.5
South America	Imp.	5.0	3.6	4.3	4.8	6.6	4.0	4.4	5.4	2.3	3.8	6.3
	Exp.	1.0	0.9	1.2	2.0	2.5	2.7	2.9	3.6	1.7	2.9	3.7
Middle East and Africa	Imp.	13.0	14.3	12.4	15.1	20.2	20.1	15.0	26.6	21.4	17.9	20.8
	Exp.	14.2	17.5	17.1	20.5	19.7	24.0	17.6	30.4	21.4	26.2	29.1
INDIA												
All countries	Imp.	590.2	622.0	675.8	704.7	687.0	672.8	656.8	622.5	674.1	...	...
	Exp.	353.7	403.6	432.9	421.5	400.9	402.9	405.9	438.5	394.3	...	...
ECAFE countries[a]	Imp.	105.7	102.6	99.7	114.6	114.8	98.8	108.2	82.4	100.7	...	...
	Exp.	67.1	87.1	94.0	83.7	82.4	90.2	80.8	97.3	97.0	...	...
Developing ECAFE countries	Imp.	62.2	53.3	47.0	58.3	64.4	40.1	35.5	34.1	37.6	...	...
	Exp.	36.8	45.4	47.4	41.3	36.8	33.7	34.2	36.2	34.3	...	...
Japan	Imp.	30.4	34.3	38.3	43.7	38.4	34.4	37.3	30.4	40.9	...	...
	Exp.	16.7	28.7	33.0	29.1	34.4	44.7	36.9	50.0	51.6	...	...
Western Europe (including UK)	Imp.	202.8	198.4	203.0	217.7	177.5	168.5	153.2	144.1	171.8	...	...
	Exp.	122.5	138.3	136.4	123.7	113.0	122.0	127.7	156.9	107.9	...	...
UK	Imp.	98.1	96.0	91.1	82.6	58.5	54.5	54.7	41.4	54.5	...	...
	Exp.	83.3	90.8	89.7	77.9	66.9	78.5	85.2	103.7	63.4	...	...
USSR and Eastern Europe	Imp.	55.9	56.1	71.5	72.8	70.5	62.1	44.2	59.1	70.6	...	...
	Exp.	41.8	49.4	66.4	72.5	73.4	71.2	76.8	56.7	67.1	...	...
North America	Imp.	181.6	221.0	254.0	256.4	284.7	293.3	309.7	286.8	283.4	...	...
	Exp.	74.4	82.2	88.2	90.5	88.4	78.7	81.0	82.5	82.7	...	...
USA	Imp.	172.4	206.5	240.1	243.7	257.5	256.9	260.8	261.6	254.8	...	...
	Exp.	59.5	68.2	78.1	77.6	77.5	68.8	70.4	72.7	70.8	...	...
South America	Imp.	0.9	0.5	1.6	1.9	2.5	4.2	5.6	5.8	1.1	...	...
	Exp.	6.9	6.4	7.6	4.9	2.8	1.5	1.5	1.1	1.1	...	...
Middle East and Africa	Imp.	42.9	41.7	45.4	39.8	36.9	45.5	35.1	43.8	45.2	..	...
	Exp.	38.8	37.9	38.0	45.3	40.7	38.6	37.3	43.8	37.7	...	...

20. DIRECTION OF INTERNATIONAL TRADE *(Cont'd)*

Quarterly averages or quarters

Million Dollars

Imports from or Exports to		1962	1963	1964	1965	1966	1967	1967		1968		
								III	IV	I	II	III
INDONESIA												
All countries	Imp.	183.9	131.8	142.4	150.1	139.9	168.1	...	...	...	...	...
	Exp.	177.6	154.1	167.9	171.7	188.2	168.1	...	...	...	...	...
ECAFE countries[a]	Imp.	67.5	43.8	76.6	80.3	68.2	96.6	...	...	...	...	...
	Exp.	63.0	63.4	69.0	66.9	75.9	73.9	...	...	...	...	...
Developing ECAFE countries	Imp.	41.8	29.8	40.4	21.9	33.9	50.6	...	...	...	...	...
	Exp.	36.8	36.1	22.7	15.4	19.5	13.7	...	...	...	...	...
Japan	Imp.	25.1	13.8	33.3	56.3	32.6	42.7	...	...	...	...	...
	Exp.	13.2	13.0	28.8	33.5	39.5	43.9	...	...	...	...	...
Western Europe (including UK)	Imp.	44.4	32.1	37.2	48.5	48.4	49.4	...	...	...	...	...
	Exp.	48.0	53.9	50.2	59.3	63.8	62.0	...	...	...	...	...
UK	Imp.	15.4	10.9	6.1	7.2	2.9	4.4	...	...	...	...	...
	Exp.	32.9	38.6	4.9	2.5	3.2	3.1	...	...	...	...	...
USSR and Eastern Europe	Imp.	42.7	9.4	8.2	7.0	4.4	2.5	...	...	...	...	...
	Exp.	11.6	9.8	2.4	0.9	1.4	—	...	...	...	...	...
North America	Imp.	28.7	46.1	19.7	13.4	16.9	19.5	...	...	...	...	...
	Exp.	35.2	25.5	42.9	41.9	45.0	45.7	...	...	...	...	...
USA	Imp.	27.0	43.6	18.6	11.4	16.5	18.8	...	...	...	...	...
	Exp.	35.0	24.4	42.4	41.3	44.8	45.5	...	...	...	...	...
South America	Imp.	—	—	0.1	0.1	—	—	...	...	...	...	...
	Exp.	—	—	1.0	1.8	1.0	1.0	...	...	...	...	...
Middle East and Africa	Imp.	—	—	0.4	0.8	1.9	—	...	...	...	...	...
	Exp.	—	0.1	0.7	—	0.5	0.4	...	...	...	...	...
IRAN												
All countries	Imp.	130.5	130.8	168.0	214.5	232.3	281.0	280.4	302.9	360.8	342.6	...
	Exp.	258.2	283.3	313.3	325.6	327.1	481.9	623.8	639.9	408.6	381.5	...
ECAFE countries[a]	Imp.	15.8	17.2	23.1	35.5	35.1	35.7	32.0	39.5	44.1	40.6	...
	Exp.	75.7	85.8	108.3	104.4	116.9	194.2	275.9	256.2	178.1	180.6	...
Developing ECAFE countries	Imp.	6.4	7.1	9.7	13.3	13.6	13.4	13.2	15.7	12.6	14.0	...
	Exp.	42.4	43.8	48.2	40.8	39.4	53.2	72.1	57.0	58.5	56.1	...
Japan	Imp.	8.4	8.6	11.1	16.8	18.6	19.2	15.3	21.3	29.9	25.3	...
	Exp.	20.0	16.6	48.7	51.4	67.3	133.2	196.1	189.8	11.0	11.9	...
Western Europe (including UK)	Imp.	77.7	76.3	94.7	120.7	129.5	162.0	160.9	179.3	202.7	198.1	...
	Exp.	120.1	132.5	118.8	134.6	116.5	187.4	224.2	288.5	124.2	121.0	...
UK	Imp.	25.2	20.3	24.5	27.8	29.3	34.9	34.7	35.7	37.0	42.5	...
	Exp.	22.3	22.1	42.8	40.0	46.4	107.8	117.4	216.0	60.9	66.9	...
USSR and Eastern Europe	Imp.	8.7	7.5	13.7	9.6	15.5	20.1	18.4	19.6	32.2	29.3	...
	Exp.	6.8	6.6	9.6	8.9	11.1	14.7	9.2	18.4	18.0	5.1	...
North America	Imp.	23.6	23.9	28.1	39.3	45.0	53.6	60.5	52.7	66.5	61.9	...
	Exp.	22.1	26.3	26.0	22.4	29.3	25.5	32.0	20.6	22.8	28.0	...
USA	Imp.	22.8	22.4	27.3	38.7	43.0	52.2	60.3	48.3	65.0	61.2	...
	Exp.	14.7	16.3	19.9	17.3	20.8	16.4	17.0	15.3	14.6	20.4	...
South America	Imp.	—	—	—	—	0.3	0.5	0.3	1.6	3.0	2.3	...
	Exp.	—	—	0.5	1.8	2.2	3.7	12.4	0.9	3.1	1.7	...
Middle East and Africa	Imp.	4.0	4.1	5.9	8.7	7.0	9.2	8.4	10.3	12.0	10.4	...
	Exp.	32.5	31.0	48.5	50.5	47.5	56.4	70.3	55.3	62.1	45.3	...
KOREA, Republic of												
All countries	Imp.	103.8	140.1	101.1	112.4	184.2	249.1	246.4	338.7	296.8	...	350.0
	Exp.	13.7	21.7	29.9	43.7	62.4	80.1	77.6	102.8	87.5	...	117.2
ECAFE countries[a]	Imp.	35.9	53.4	35.4	52.7	94.3	140.4	136.5	189.7	139.5	...	206.6
	Exp.	7.7	10.2	16.3	21.2	25.9	32.2	32.3	40.9	32.3	...	36.8
Developing ECAFE countries	Imp.	7.0	10.4	5.9	10.2	18.9	26.9	22.0	39.6	26.1	...	36.2
	Exp.	1.8	4.0	6.6	10.1	9.1	10.4	9.6	15.4	12.0	...	12.8
Japan	Imp.	27.3	40.4	27.5	41.6	73.4	110.8	111.1	147.0	111.2	...	166.8
	Exp.	5.9	6.2	9.6	11.0	16.4	21.2	22.2	24.7	20.0	..	22.4
Western Europe (including UK)	Imp.	9.5	10.0	9.6	6.8	14.0	17.9	8.9	21.7	37.2	...	39.0
	Exp.	1.5	1.9	3.9	5.3	8.5	8.2	7.2	8.7	7.2	...	10.0
UK	Imp.	1.6	1.3	0.8	0.3	0.6	1.3	2.1	1.6	1.3	...	3.7
	Exp.	0.4	0.4	1.6	0.9	1.3	2.0	2.0	1.8	1.5	...	1.8
USSR and Eastern Europe	Imp.	—	—	—	—	—	3.1	12.5	—	—	—	—
	Exp.	—	—	—	—	—	0.1	0.2	0.1	—	—	0.1
North America	Imp.	54.0	71.4	51.2	46.2	69.4	78.7	80.7	106.5	113.2	...	102.4
	Exp.	3.0	6.2	9.0	15.9	25.6	36.5	35.1	48.9	45.1	...	65.6
USA	Imp.	53.5	70.5	50.5	45.6	68.5	76.3	76.8	103.5	108.9	...	99.0
	Exp.	3.0	6.1	8.9	15.3	24.0	34.4	32.8	46.0	42.3	...	61.2
South America	Imp.	—	—	—	0.1	0.7	0.8	0.3	1.5	0.2	...	1.5
	Exp.	—	—	—	—	0.1	—	—	—	—	—	—
Middle East and Africa	Imp.	0.3	0.2	0.3	1.4	2.7	2.3	0.3	7.7	—	—	—
	Exp.	—	—	0.1	6.0	1.7	2.2	2.0	2.7	1.8	...	3.4

20. DIRECTION OF INTERNATIONAL TRADE *(Cont'd)*

Quarterly averages or quarters *Million dollars*

Imports from or Exports to		1962	1963	1964	1965	1966	1967	1967		1968		
								III	IV	I	II	III
LAOS												
All countries	Imp.	6.1	7.2	6.2	6.8	7.7	9.3	...	...	...	...	...
	Exp.	0.2	0.2	0.3	0.3	0.4	0.4	...	...	...	...	...
ECAFE countries[a]	Imp.	4.1	4.0	3.4	3.8	...	...	...	...	...	...	...
	Exp.	0.1	0.1	0.3	0.2	...	...	...	...	...	...	...
Developing ECAFE countries	Imp.	3.4	3.2	3.0	3.2	...	...	...	...	...	...	...
	Exp.	0.1	0.1	0.3	0.2	...	...	...	...	...	...	...
Japan	Imp.	0.7	0.8	0.4	0.6	1.0	1.1	...	...	...	...	...
	Exp.	-	—	—	—	—	—	—	—	—	—	—
Western Europe (including UK)	Imp.	0.6	0.7	1.0	1.2	...	...	...	...	...	...	...
	Exp.	—	—	—	—	...	...	—	—	—	—	—
UK	Imp.	0.1	0.2	0.6	0.6	0.6	0.4	...	...	...	...	...
	Exp.	—	—	—	—	—	—	—	—	—	—	—
USSR and Eastern Europe	Imp.	—	—	—	—	...	...	—	—	—	—	—
	Exp.	—	—	—	—	...	...	—	—	—	—	—
North America	Imp.	0.8	1.9	1.8	1.7	...	...	—	—	—	—	—
	Exp.	—	—	—	—	...	...	—	—	—	—	—
USA	Imp.	0.3	1.9	1.8	1.7	1.1	2.3	...	...	...	...	...
	Exp.	—	—	—	—	—	—	—	—	—	—	—
South America	Imp.	—	—	—	—	...	...	—	—	—	—	—
	Exp.	—	—	—	—	...	...	—	—	—	—	—
Middle East and Africa	Imp.	—	—	—	—	...	...	—	—	—	—	—
	Exp.	—	—	—	—	...	...	—	—	—	—	—
MALAYSIA EAST: SABAH												
All countries	Imp.	19.5	24.9	24.3	27.5	28.3	...	...	...	...	...	. .
	Exp.	19.2	22.5	21.2	24.9	29.3	...	...	...	...	...	...
ECAFE countries[a]	Imp.	11.1	14.3	14.6	16.5	17.3	...	...	...	...	...	...
	Exp.	15.8	19.9	19.1	23.3	27.6	...	...	...	...	...	...
Developing ECAFE countries	Imp.	9.0	11.4	11.7	13.7	14.0	...	...	...	...	...	...
	Exp.	5.7	7.3	7.9	10.1	9.9	...	...	...	...	...	...
Japan	Imp.	1.5	2.2	1.9	1.9	2.3	...	...	...	...	...	...
	Exp.	9.5	12.1	10.5	12.6	17.3	...	...	...	...	...	...
Western Europe (including UK)	Imp.	4.7	6.0	6.7	7.1	7.7	...	...	...	...	...	...
	Exp.	1.9	1.4	1.3	1.0	1.0	...	...	...	...	...	...
UK	Imp.	3.6	4.7	5.0	5.5	5.8	...	...	...	...	...	...
	Exp.	0.9	0.7	0.5	0.5	0.6	...	...	...	...	...	...
USSR and Eastern Europe	Imp.	—	—	—	—	—	—	—	—	—	—	—
	Exp.	—	—	—	—	—	—	—	—	—	—	—
North America	Imp.	2.7	3.3	2.4	3.4	3.2	...	...	...	...	...	...
	Exp.	0.3	0.2	0.3	0.4	0.4	...	...	...	...	...	...
USA	Imp.	2.7	3.3	2.2	3.3	3.1	...	...	...	...	...	...
	Exp.	0.3	0.2	0.3	0.4	0.4	...	...	...	...	...	...
South America	Imp.	—	—	—	—	—	—	—	—	—	—	—
	Exp.	—	—	—	—	—	—	—	—	—	—	—
Middle East and Africa	Imp.	—	—	0.1	0.1	—	—	—	—	—	—	—
	Exp.	—	—	0.2	0.2	0.3	—	—	—	—	—	—
MALAYSIA EAST: SARAWAK												
All countries	Imp.	32.7	32.4	36.6	39.6	42.9	...	...	...	...	...	...
	Exp.	33.3	30.5	32.7	35.4	37.9	...	...	...	...	...	...
ECAFE countries[a]	Imp.	26.2	25.2	27.5	30.3	34.2	...	...	...	...	...	...
	Exp.	26.3	25.4	26.9	30.8	32.8	...	...	...	...	...	...
Developing ECAFE countries	Imp.	24.3	23.3	25.2	27.4	31.4	...	...	...	...	...	...
	Exp.	15.7	17.5	20.4	23.5	22.8	...	...	...	...	...	...
Japan	Imp.	1.2	1.3	1.4	1.7	1.8	...	...	...	...	...	...
	Exp.	4.2	4.6	3.7	3.7	6.3	...	...	...	...	...	...
Western Europe (including UK)	Imp.	4.6	5.0	6.1	6.8	6.6	...	...	...	...	...	...
	Exp.	6.0	4.4	5.4	3.9	4.0	...	...	...	...	...	...
UK	Imp.	3.9	4.2	4.8	5.3	4.9	...	...	...	...	...	...
	Exp.	4.2	2.8	3.3	1.8	1.6	...	...	...	...	...	...
USSR and Eastern Europe	Imp.	—	—	—	—	—	—	—	—	—	—	—
	Exp.	—	—	—	—	—	—	—	—	—	—	—
North America	Imp.	0.8	1.1	2.2	1.7	1.9	...	..	...	...	...	...
	Exp.	0.3	0.3	0.3	0.5	0.9	...	...	...	...	...	...
USA	Imp.	0.8	1.1	2.2	1.6	1.8	...	...	...	...	...	...
	Exp.	0.3	0.3	0.3	0.5	0.9	...	...	...	...	...	...
South America	Imp.	—	—	—	—	—	—	—	—	—	—	—
	Exp.	—	—	—	—	—	—	—	—	—	—	—
Middle East and Africa	Imp.	—	—	0.1	—	—	—	—	—	—	—	—
	Exp.	—	—	0.1	0.1	0.1	—	—	—	—	—	—

20. DIRECTION OF INTERNATIONAL TRADE *(Cont'd)*

Quarterly averages or quarters *Million dollars*

Imports from or Exports to		1962	1963	1964	1965	1966	1967	1967		1968		
								III	IV	I	II	III
MALAYSIA: *(cont'd)*												
WEST												
All countries	Imp.	180.9	187.8	*130.3*	*136.4*	...	...	...	...	...	...	...
	Exp.	171.9	176.8	*162.4*	*181.1*	...	...	...	...	...	...	...
ECAFE countries[a]	Imp.	96.3	103.0	*69.2*	*67.9*	...	...	...	...	...	...	...
	Exp.	47.7	49.2	*50.6*	*51.3*	...	...	...	...	...	...	...
Developing ECAFE countries	Imp.	68.8	70.8	*47.1*	*41.0*	...	...	...	...	...	...	...
	Exp.	13.5	11.7	*12.5*	*14.0*	...	...	...	...	...	...	...
Japan	Imp.	17.5	20.6	*21.8*	*16.0*	...	...	...	...	...	...	...
	Exp.	29.7	32.4	*33.8*	*31.9*	...	...	...	...	...	...	...
Western Europe (including UK)	Imp.	66.7	66.7	*45.8*	*50.3*	...	...	...	...	...	...	...
	Exp.	58.6	55.7	*48.9*	*47.8*	...	...	...	...	...	...	...
UK	Imp.	43.9	43.7	*28.4*	*31.2*	...	...	...	...	...	...	...
	Exp.	20.1	18.3	*15.7*	*14.5*	...	...	...	...	...	...	...
USSR and Eastern Europe	Imp.	1.0	1.2	*0.4*	*0.3*	...	...	...	...	...	...	...
	Exp.	21.9	23.5	*14.9*	*22.4*	...	...	...	...	...	...	...
North America	Imp.	12.9	11.9	*6.5*	*7.5*	...	...	...	...	...	...	...
	Exp.	35.7	37.8	*38.3*	*50.5*	...	...	...	...	...	...	...
USA	Imp.	11.8	10.9	*5.8*	*6.7*	...	...	...	...	...	...	...
	Exp.	31.3	31.9	*31.6*	*43.2*	...	...	...	...	...	...	...
South America	Imp.	—	0.1	—	—	—	—	—	—	—	—	—
	Exp.	3.1	4.1	*4.9*	*3.7*	...	...	...	...	...	...	...
Middle East and Africa	Imp.	1.9	2.9	*7.9*	*9.6*	...	...	...	...	...	...	...
	Exp.	2.8	4.2	*4.8*	*5.3*	...	...	...	...	...	...	...
NEPAL												
All countries	Imp.	...	...	*8.1*	*9.7*	*16.6*	*9.4*	...	...	...	...	...
	Exp.	...	...	*1.8*	*5.7*	*3.8*	*6.8*	...	...	...	...	...
ECAFE countries[a]	Imp.	...	...	*7.4*	*8.9*	*10.6*	*8.2*	...	...	...	...	...
	Exp.	...	...	*1.6*	*5.4*	*3.2*	*5.3*	...	...	...	...	...
Developing ECAFE countries	Imp.	...	...	*7.2*	*8.8*	*10.3*	*7.6*	...	...	...	...	...
	Exp.	...	...	*1.6*	*5.4*	*3.2*	*5.1*	...	...	...	...	...
Japan	Imp.	...	...	*0.2*	*0.1*	*0.3*	*0.7*	...	...	...	...	...
	Exp.	...	...	—	—	—	*0.2*	—	—	—	—	...
Western Europe (including UK)	Imp.	...	...	0.6	0.5	0.8	0.8	...	...	...	...	...
	Exp.	...	...	*0.1*	*0.2*	*0.3*	*1.0*	...	...	...	...	...
UK	Imp.	...	...	*0.4*	*0.1*	*0.2*	*0.3*	...	...	...	...	...
	Exp.	...	...	—	—	—	*0.1*	...	...	...	...	...
USSR and Eastern Europe	Imp.	...	...	—	—	—	—	—	—	—	—	—
	Exp.	...	...	—	—	—	—	—	—	—	—	—
North America	Imp.	...	...	*0.2*	*0.3*	*0.2*	*0.4*	...	...	...	...	...
	Exp.	...	...	—	*0.1*	*0.2*	*0.4*	...	...	...	...	...
USA	Imp.	...	...	*0.2*	*0.3*	*0.2*	*0.4*	...	...	...	...	...
	Exp.	...	...	—	*0.1*	*0.2*	*0.4*	...	...	...	...	...
South America	Imp.	...	...	—	—	—	—	—	—	—	—	—
	Exp.	...	...	—	—	—	—	—	—	—	—	—
Middle East and Africa	Imp.	...	...	—	—	—	—	—	—	—	—	—
	Exp.	...	...	—	—	—	—	—	—	—	—	—
PAKISTAN												
All countries	Imp.	183.6	221.5	248.7	260.5	224.8	274.7	249.7	240.1	245.8	238.5	...
	Exp.	98.3	103.8	104.1	131.7	149.9	149.6	124.3	142.2	—	—	...
ECAFE countries[a]	Imp.	34.7	40.6	47.5	48.2	49.3	63.0	50.0	48.4	55.2	47.2	...
	Exp.	26.2	34.3	37.4	45.9	43.9	43.0	30.7	37.6	—	—	...
Developing ECAFE countries	Imp.	18.6	26.1	26.5	20.5	23.6	26.6	27.4	19.9	34.0	19.8	...
	Exp.	17.4	21.1	27.8	36.3	32.7	29.6	19.5	20.7	—	—	...
Japan	Imp.	14.6	11.7	19.1	25.6	19.8	23.8	18.2	24.1	19.8	26.3	...
	Exp.	6.2	9.9	6.6	5.9	6.0	9.1	8.5	11.8	—	—	...
Western Europe (including UK)	Imp.	66.3	70.3	83.4	104.2	87.0	91.8	91.1	83.2	89.2	87.6	...
	Exp.	40.2	35.7	33.8	42.3	48.6	44.8	32.3	46.3	—	—	...
UK	Imp.	33.0	31.4	33.5	38.6	34.0	35.3	34.5	31.7	36.0	33.6	...
	Exp.	17.2	14.0	13.0	17.8	17.4	18.8	13.4	21.6	—	—	...
USSR and Eastern Europe	Imp.	3.5	2.6	4.8	9.3	13.9	16.3	9.9	16.7	17.5	27.7	...
	Exp.	3.8	5.3	3.9	5.9	12.8	13.8	11.0	8.7	—	—	...
North America	Imp.	73.1	102.9	109.4	96.7	72.0	98.7	92.8	87.9	79.4	71.0	...
	Exp.	11.2	10.4	11.0	15.2	19.2	21.1	28.4	25.1	—	—	...
USA	Imp.	70.1	98.0	103.8	91.3	65.0	90.3	83.9	83.4	73.8	66.0	...
	Exp.	9.1	9.3	8.8	11.9	17.6	19.8	27.6	23.7	—	—	...
South America	Imp.	—	—	—	—	0.1	—	—	...	...	...	...
	Exp.	1.4	2.0	2.1	2.7	2.7	2.1	1.0	2.1	...	...	...
Middle East and Africa	Imp.	5.4	4.2	2.7	1.8	2.3	4.5	5.8	3.6	4.1	4.8	...
	Exp.	14.1	13.8	13.7	19.5	22.1	24.5	20.8	21.5	—	—	—

20. DIRECTION OF INTERNATIONAL TRADE

Quarterly averages or quarters *Million dollars*

Imports from or Exports to		1962	1963	1964	1965	1966	1967	1967		1968		
								III	IV	I	II	III
PHILIPPINES												
All countries	Imp.	146.7	154.6	217.1	223.8	234.1	293.0	295.1	325.1	301.5	...	...
	Exp.	138.6	181.9	184.8	191.8	195.9	203.3	173.9	272.8	193.2	...	...
ECAFE countries[a]	Imp.	42.0	48.5	72.6	89.2	97.2	120.9	134.3	140.6	120.2	...	...
	Exp.	40.1	56.1	53.8	61.6	74.8	85.5	78.8	114.6	81.4	...	...
Developing ECAFE countries	Imp.	12.1	17.9	21.9	29.3	20.3	26.3	26.9	39.2	20.2	...	...
	Exp.	5.7	5.9	7.0	6.6	9.4	15.9	11.5	33.4	11.7	...	...
Japan	Imp.	29.7	29.1	43.2	53.2	66.0	82.4	95.3	86.6	83.7	...	...
	Exp.	34.0	49.6	45.9	54.2	69.6	68.5	65.9	80.1	68.9	...	...
Western Europe (including UK)	Imp.	27.7	27.6	37.3	37.0	39.2	49.3	44.6	48.8	57.8	...	...
	Exp.	24.6	40.6	37.6	39.8	39.4	26.3	30.9	27.4	16.5	...	...
UK	Imp.	6.7	8.0	9.3	9.0	9.5	11.4	11.9	9.0	14.2	...	...
	Exp.	1.8	2.1	2.4	2.1	1.7	1.7	3.1	1.2	1.9	...	...
USSR and Eastern Europe	Imp.	—	—	—	—	—	—	—	—	—	—	—
	Exp.	—	—	—	—	—	—	—	—	—	—	—
North America	Imp.	67.9	68.7	93.7	85.8	87.4	105.4	100.1	106.7	104.8	...	...
	Exp.	70.3	83.0	91.1	88.2	78.6	88.2	61.8	126.5	93.4	...	...
USA	Imp.	63.2	63.4	86.8	77.9	80.8	100.6	95.2	101.3	97.3	...	...
	Exp.	70.1	82.7	90.4	87.2	78.0	87.7	61.3	125.9	93.0	...	...
South America	Imp.	1.7	0.9	1.4	1.1	1.5	2.2	1.0	6.0	1.8	...	...
	Exp.	1.8	0.4	1.1	1.0	1.3	1.8	1.3	1.9	0.6	...	...
Middle East and Africa	Imp.	6.4	7.4	10.9	10.2	8.6	14.5	14.5	22.3	16.1	...	...
	Exp.	0.3	0.5	0.8	0.5	0.6	0.3	0.1	0.5	0.6	...	...
SINGAPORE												
All countries	Imp.	270.0	287.8	*218.9*	*238.7*	*255.0*	...	...	...	...	...	...
	Exp.	202.2	201.2	*150.8*	*168.7*	*201.4*	...	...	...	...	...	...
ECAFE countries[a]	Imp.	168.4	174.3	*121.4*	*133.5*	*143.7*	...	...	...	...	...	...
	Exp.	91.4	94.2	*73.4*	*82.2*	*107.5*	...	...	...	...	...	...
Developing ECAFE countries	Imp.	127.5	127.6	*76.9*	*83.8*	*89.1*	...	...	...	...	...	...
	Exp.	68.7	73.0	*56.3*	*62.8*	*89.4*	...	...	...	...	...	...
Japan	Imp.	30.0	33.3	*29.8*	*34.4*	*37.9*	...	...	...	...	...	...
	Exp.	13.1	11.2	*7.8*	*9.2*	*10.1*	...	...	...	...	...	...
Western Europe (including UK)	Imp.	60.5	66.9	*55.7*	*62.6*	*63.8*	...	...	...	...	...	...
	Exp.	50.3	48.0	*35.6*	*38.4*	*40.6*	...	...	...	...	...	...
UK	Imp.	31.4	34.9	*28.6*	*33.8*	*33.3*	...	...	...	...	...	...
	Exp.	17.7	16.6	*15.0*	*15.7*	*15.1*	...	...	...	...	...	...
USSR and Eastern Europe	Imp.	1.6	2.2	*1.6*	*1.6*	*1.4*	...	...	...	...	...	...
	Exp.	14.6	17.9	*10.6*	*14.6*	*12.9*	...	...	...	...	...	...
North America	Imp.	18.5	22.4	*19.1*	*20.2*	*21.9*	...	...	...	...	...	...
	Exp.	27.8	23.9	*13.2*	*13.9*	*18.3*	...	...	...	...	...	...
USA	Imp.	16.5	18.5	*15.8*	*15.8*	*17.2*	...	...	...	...	...	...
	Exp.	23.2	18.9	*9.5*	10.2	*13.2*	...	...	...	...	...	...
South America	Imp.	0.3	0.2	*0.6*	*0.8*	*0.5*	...	...	...	...	...	...
	Exp	5.4	3.5	*4.0*	*3.5*	*3.6*	...	...	...	...	...	...
Middle East and Africa	Imp.	19.2	20.7	*19.4*	*19.2*	*23.0*	...	...	...	...	...	...
	Exp.	7.9	10.4	*11.5*	*13.6*	*15.5*	...	...	...	...	...	...
THAILAND												
All countries	Imp.	135.6	148.5	166.6	182.8	293.3	...	...	...	...	...	...
	Exp.	113.6	115.3	147.8	155.7	173.4	...	...	...	...	...	...
ECAFE countries[a]	Imp.	64.8	73.6	84.0	85.5	112.8	...	...	...	...	...	...
	Exp.	69.0	78.3	102.3	102.1	113.2	...	...	...	...	...	...
Developing ECAFE countries	Imp.	22.5	22.1	25.7	24.1	32.2	...	...	...	...	...	...
	Exp.	52.8	57.2	69.8	72.8	77.1	...	...	...	...	...	...
Japan	Imp.	40.3	48.8	56.6	57.8	75.3	...	...	...	...	...	...
	Exp.	16.0	20.8	32.2	28.9	35.6	...	...	...	...	...	...
Western Europe (including UK)	Imp.	44.1	45.8	48.6	52.8	56.7	...	...	...	...	...	...
	Exp.	23.3	20.8	29.9	30.5	28.2	...	...	...	...	...	...
UK	Imp.	12.5	13.7	15.4	17.5	18.0	...	...	..	...	...	...
	Exp.	5.7	4.5	7.0	6.6	6.3	...	...	...	...	...	...
USSR and Eastern Europe	Imp.	1.1	1.3	1.6	2.2	2.4	...	...	...	...	...	...
	Exp.	1.6	0.8	0.6	1.6	2.1	...	...	...	...	...	...
North America	Imp.	23.8	26.7	28.4	37.6	111.3	...	...	...	...	...	...
	Exp.	10.4	8.6	6.7	11.9	22.6	...	...	...	...	...	...
USA	Imp.	22.9	26.0	27.3	35.3	108.6	...	...	...	...	...	...
	Exp.	10.0	8.6	6.7	10.1	12.0	...	...	...	...	...	...
South America	Imp.	0.1	—	0.2	0.2	0.2	...	...	...	...	...	...
	Exp.	0.7	1.1	0.6	*0.6*	—	...	...	...	...	...	...
Middle East and Africa	Imp.	0.2	0.5	2.7	4.1	9.5	...	...	...	...	...	...
	Exp.	5.5	3.7	6.9	8.8	7.2	...	...	...	...	...	...

20. DIRECTION OF INTERNATIONAL TRADE *(Cont'd)*

Quarterly averages or quarters *Million dollars*

Imports from or Exports to		1962	1963	1964	1965	1966	1967	1967		1968		
								III	IV	I	II	III
VIET-NAM, Republic of												
All countries	Imp.	65.3	71.1	74.2	89.1	124.0	134.9	115.6	103.4	...	...	...
	Exp.	13.8	19.2	12.0	8.8	6.1	4.0	3.1	3.8	...	...	...
ECAFE countries[a]	Imp.	22.9	28.2	27.8	34.0	52.1	66.1	68.1	46.7	...	...	...
	Exp.	2.9	8.2	3.0	2.2	1.3	0.8	0.6	0.3	...	...	...
Developing ECAFE countries	Imp.	11.5	20.9	19.5	25.5	33.4	30.8	24.6	26.1	...	...	...
	Exp.	2.2	7.1	2.0	1.2	0.4	0.2	0.2	—	...	...	...
Japan	Imp.	11.2	6.9	8.0	8.2	18.0	34.9	43.1	20.5	...	...	...
	Exp.	0.7	1.1	1.0	0.9	0.8	0.6	0.4	0.3	...	...	...
Western Europe (including UK)	Imp.	16.8	14.7	12.8	12.6	20.0	20.5	14.5	13.2	...	...	...
	Exp.	9.4	8.9	8.0	6.3	4.5	3.0	2.2	2.9	...	...	...
UK	Imp.	1.2	1.1	1.1	1.5	2.5	1.8	1.8	0.8	...	...	...
	Exp.	2.2	1.4	1.3	1.1	1.0	0.6	0.6	0.5	...	...	...
USSR and Eastern Europe	Imp.	—	—	—	—	—	2.3	—	9.3	...	...	...
	Exp.	—	—	—	—	—	0.1	—	0.5	...	...	...
North America	Imp.	24.3	26.7	31.6	40.8	50.6	43.9	28.2	27.4	...	...	...
	Exp.	0.5	0.3	0.5	0.4	0.3	0.1	—	0.1	...	...	...
USA	Imp.	24.3	26.7	31.6	40.5	50.1	43.6	27.8	27.1	...	...	...
	Exp.	0.5	0.3	0.5	0.4	0.3	0.1	—	0.1	...	...	...
South America	Imp.	0.6	—	0.1	0.3	0.3	0.8	1.5	1.4	...	...	...
	Exp.	—	—	—	—	—	—	—	—	—	—	—
Middle East and Africa	Imp.	0.3	0.9	0.6	1.3	1.0	1.2	3.1	0.4	...	...	...
	Exp.	0.6	1.4	0.1	—	—	—	—	—	—	—	—
WESTERN SAMOA												
All countries	Imp.	*2.0*	*2.1*	*2.5*	*2.3*	...	...	...	...	...	...	...
	Exp.	*2.0*	*1.8*	*1.8*	*1.4*	...	...	...	...	...	...	...
ECAFE countries[a]	Imp.	*0.9*	*1.3*	*1.5*	*1.4*	...	...	...	...	...	...	...
	Exp.	*1.3*	*0.8*	*0.8*	*0.7*	...	...	...	...	...	...	...
Developing ECAFE countries	Imp.	—	*0.2*	*0.2*	*0.1*	...	...	...	...	...	...	...
	Exp.	*0.1*	—	—	—	...	...	...	...	...	...	...
Japan	Imp.	*0.2*	*0.1*	*0.2*	*0.2*	...	...	...	...	...	...	...
	Exp.	*0.1*	*0.1*	—	—	...	...	...	...	...	...	...
Western Europe (including UK)	Imp.	*0.9*	*0.4*	*0.4*	*0.4*	...	...	...	...	...	...	...
	Exp.	*0.3*	*0.8*	*0.7*	*0.7*	...	...	...	...	...	...	...
UK	Imp.	*0.6*	*0.3*	*0.3*	*0.2*	...	...	...	...	...	...	...
	Exp.	*0.3*	*0.5*	*0.3*	*0.2*	...	...	...	...	...	...	...
USSR and Eastern Europe	Imp.	—	—	—	—	—	—	—	—	—	—	—
	Exp.	—	—	—	—	—	—	—	—	—	—	—
North America	Imp.	*0.1*	*0.3*	*0.5*	*0.3*	...	...	...	...	...	...	...
	Exp.	*0.2*	*0.2*	*0.2*	—	...	...	...	...	...	...	...
USA	Imp.	*0.1*	*0.2*	*0.4*	*0.2*	...	...	...	...	...	...	...
	Exp.	*0.2*	*0.1*	*0.1*	—	...	...	...	...	...	...	...
South America	Imp.	—	—	—	—	—	—	—	—	—	—	—
	Exp.	—	—	*0.1*	—	—	—	—	—	—	—	—
Middle East and America	Imp.	—	—	*0.1*	*0.1*	—	—	—	—	—	—	—
	Exp.	—	—	—	—	—	—	—	—	—	—	—
AUSTRALIA[b]												
All countries	Imp.	566.4	620.3	744.4	830.9	811.2	877.0	925.6	834.4	948.6	953.2	1016.1
	Exp.	591.3	703.1	766.8	753.5	793.1	875.0	831.6	885.5	799.1	895.9	864.9
ECAFE countries[a]	Imp.	110.5	120.1	143.0	159.9	161.2	182.8	190.1	185.1	190.6	187.8	216.0
	Exp.	216.3	284.1	288.6	295.4	316.6	397.3	390.4	378.6	349.1	383.8	388.3
Developing ECAFE countries	Imp.	68.5	68.4	72.8	79.7	73.1	77.0	75.6	76.2	75.5	72.5	83.8
	Exp.	84.6	118.6	111.6	124.5	120.4	176.4	173.7	150.2	134.3	148.7	138.1
Japan	Imp.	34.0	39.4	57.2	82.2	75.3	90.8	98.9	92.6	96.7	96.6	110.8
	Exp.	97.4	120.8	131.8	123.8	146.5	175.6	168.7	181.6	177.9	192.2	200.3
Western Europe (including UK)	Imp.	264.5	281.4	318.4	369.6	343.9	351.4	396.0	292.2	404.0	375.1	396.9
	Exp.	226.3	242.2	279.6	258.6	259.4	236.1	203.0	241.7	230.8	259.6	211.2
UK	Imp.	172.7	180.0	198.3	223.0	201.1	196.1	232.2	135.6	243.9	198.7	228.9
	Exp.	113.9	125.3	151.5	131.2	122.6	111.3	98.2	112.9	120.2	140.3	111.5
USSR and Eastern Europe	Imp.	2.5	2.9	3.5	3.9	3.4	3.7	3.5	3.8	4.7	4.4	5.0
	Exp.	16.2	25.4	44.7	34.5	20.8	19.6	13.9	26.8	24.6	22.9	14.3
North America	Imp.	146.1	158.6	215.0	231.9	236.2	262.3	262.9	272.2	279.1	296.2	318.7
	Exp.	87.1	97.6	92.1	100.5	124.2	126.4	126.4	144.3	127.0	146.0	164.3
USA	Imp.	118.6	132.5	181.4	196.5	205.6	225.0	224.1	235.1	232.7	249.3	263.0
	Exp.	72.9	80.1	71.7	81.9	103.0	103.7	102.1	122.8	104.4	122.6	136.7
South America	Imp.	3.4	3.6	3.7	3.0	1.8	2.0	2.3	3.5	2.2	9.6	1.9
	Exp.	1.5	0.9	1.1	2.4	2.7	9.0	10.5	10.6	3.8	6.4	4.4
Middle East and Africa	Imp.	28.2	40.3	44.9	46.4	47.6	51.4	47.8	49.7	47.0	55.7	48.6
	Exp.	17.9	19.0	23.8	24.6	27.6	40.4	38.7	36.8	25.2	28.0	3.14

20. DIRECTION OF INTERNATIONAL TRADE *(Cont'd)*

Quarterly averages or quarters

Million dollars

Imports from or Exports to		1962	1963	1964	1965	1966	1967	1967		1968		
								III	IV	I	II	III
JAPAN												
All countries	Imp.	1409	1685	1987	2046	2381	2916	2830	3130	3120	3255	3170
	Exp.	1229	1362	1669	2114	2445	2611	2766	2854	2613	3171	3389
ECAFE countries[a]	Imp.	368	481	564	609	757	865	847	903	865	977	951
	Exp.	389	443	534	681	789	865	880	906	813	1053	1088
Developing ECAFE countries	Imp.	250	339	404	456	559	638	609	660	638	732	680
	Exp.	348	392	464	586	699	760	764	847	717	938	964
Western Europe (including UK)	Imp.	153	170	205	183	217	303	306	321	334	304	338
	Exp.	170	179	216	267	317	354	366	370	382	424	382
UK	Imp.	36	37	47	41	54	64	70	62	63	56	65
	Exp.	48	39	50	51	56	74	70	62	82	97	79
USSR and Eastern Europe	Imp.	40	44	64	69	87	140	134	142	124	125	152
	Exp.	45	47	57	60	78	64	76	66	49	62	64
North America	Imp.	579	671	763	763	861	1043	995	1101	1121	1142	1073
	Exp.	414	448	566	735	876	905	994	556	954	1214	1317
USA	Imp.	452	520	584	595	664	803	767	862	875	876	844
	Exp.	353	381	467	629	752	762	830	830'	817	1031	1125
South America	Imp.	56	70	89	98	111	132	140	144	133	151	167
	Exp.	56	49	53	62	70	70	78	82	57	82	88
Middle East and Africa	Imp.	178	221	273	294	318	402	386	493	496	503	455
	Exp.	114	153	195	156	247	273	291	326	284	251	376
NEW ZEALAND[b]												
All countries	Imp.	169.9	206.1	220.4	242.1	251.5	220.1	223.1	164.1	189.5	...	...
	Exp.	197.3	227.6	268.7	250.5	269.1	245.9	300.5	118.1	264.1	...	...
ECAFE countries[a]	Imp.	50.7	66.9	70.3	76.0	76.3	72.6	75.9	70.7	59.9	...	...
	Exp.	16.0	28.9	30.3	31.2	41.9	46.2	45.1	44.6	35.1	...	...
Developing ECAFE countries	Imp.	10.3	14.2	13.9	15.4	13.4	11.9	10.7	12.7	12.3	...	...
	Exp.	2.3	6.0	6.3	6.6	7.1	8.6	7.2	5.5	5.5	...	...
Japan	Imp.	5.9	10.3	11.3	15.1	14.4	15.4	16.2	14.6	15.5	...	...
	Exp.	6.5	11.0	11.8	12.9	22.5	22.8	22.7	21.1	13.0	...	...
Western Europe (including UK)	Imp.	86.3	99.8	102.1	110.0	115.3	95.0	93.7	50.5	87.1	...	...
	Exp.	132.5	143.3	179.3	162.7	154.8	138.1	98.0	117.7	175.2	...	...
UK	Imp.	71.4	82.4	83.3	88.9	93.5	72.0	69.9	33.7	70.6	...	...
	Exp.	97.1	103.4	130.8	121.1	113.0	110.1	79.8	95.5	141.7	...	...
USSR and Eastern Europe	Imp.	—	—	—	—	—	—	—	—	—	—	—
	Exp.	0.6	0.8	2.8	2.0	4.7	2.2	0.6	0.7	2.8	...	...
North America	Imp.	22.5	27.8	32.0	39.7	38.5	33.9	37.0	25.8	28.7	...	...
	Exp.	36.8	44.8	41.7	37.6	49.1	44.2	47.8	41.8	34.4	...	...
USA	Imp.	15.1	19.3	22.8	29.4	28.1	23.7	23.5	18.3	21.1	...	...
	Exp.	31.9	39.2	35.8	31.1	42.4	37.9	38.6	34.5	31.7	...	...
South America	Imp.	—	1.6	1.0	0.3	0.3	0.4	0.2	0.3	0.5	...	...
	Exp.	—	0.4	0.4	0.8	1.2	1.4	4.6	1.8	4.1	...	...
Middle East and Africa	Imp.	2.0	4.8	2.1	1.9	2.9	3.4	4.4	2.6	1.0	...	...
	Exp.	0.6	2.3	0.9	3.2	2.9	1.0	0.9	0.4	0.4	...	...

GENERAL NOTES (1) For details and explanatory notes, see International Monetary Fund, *Direction of Trade* (A supplement to International Financial Statistics). (2) As complete breakdowns are not given, the sum of total trade of any individual country with different regions does not add up to the total given under trade with "all countries". (3) See "general note" to table 19 (4) Trade between West Malaysia and Singapore is excluded.

a. ECAFE countries comprising Afghanistan, Australia, Brunei, Burma, Cambodia, Ceylon, China, Hong Kong, India, Indonesia, Iran, Japan, Korea, Laos, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Singapore, Thailand, Viet-Nam and Western Samoa.

b. Imports valued f.o.b.

EXTERNAL TRADE

21. COMPOSITION OF IMPORTS

	VALUE *(in millions)*					PERCENTAGE DISTRIBUTION				
	Consumption goods		Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods	Consumption goods		Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods
	Food	Others				Food	Others			
DEVELOPING ECAFE REGION[a] *(US dollar)*										
1961	1 249	1 157	1 763	721	2 479	17.0	15.7	23.9	9.8	33.6
1962	1 262	1 171	2 006	721	2 780	15.9	14.7	25.3	9.1	35.0
1963	1 579	1 209	2 064	771	3 090	18.1	13.9	23.7	8.8	35.5
1964	1 765	1 243	2 246	772	3 384	18.8	13.2	23.9	8.2	35.9
1965	1 963	1 320	2 436	820	3 798	19.0	12.8	23.6	7.9	36.7
1966	*2 261*	*1 525*	*2 716*	*815*	*3 767*	*20.4*	*13.7*	*24.5*	*7.4*	*34.0*
1967	*2 323*	*1 459*	*3 158*	*885*	*4 218*	*19.3*	*12.1*	*26.2*	*7.4*	*35.0*
BURMA *(Kyat)*										
1962	112	270	239	89	331	10.8	25.9	23.0	8.5	31.8
1963	121	290	252	67	386	10.8	26.0	22.6	6.0	34.6
1964	117	266	491	60	359	9.0	20.6	38.0	4.6	27.8
1965	143	291	331	71	350	12.0	24.6	27.9	6.0	29.5
1966	48	142	225	54	283	6.4	18.9	30.0	7.1	37.6
1967	...	...	...	...	...	...	...	...	...	...
1968 1st half	...	...	...	...	...	...	...	...	...	...
CAMBODIA *(riel)*										
1962	334	1 246	234	599	1 170	9.3	34.8	6.5	16.7	32.7
1963	310	1 449	302	653	1 037	8.3	38.6	8.1	17.4	27.6
1964	161	1 232	217	446	808	5.6	43.0	7.6	15.6	28.2
1965	127	1 352	332	374	1 417	3.5	37.6	9.2	10.4	39.3
1966	177	1 219	411	387	1 694	4.5	31.4	10.6	9.9	43.6
1967	216	944	344	425	1 436	6.4	28.0	10.2	12.7	42.7
1968 1st half	...	...	...	...	...	...	...	...	...	...
CEYLON *(rupee)*										
1962	629	316	226	157	331	37.9	19.0	13.6	9.5	22.0
1963	631	194	206	149	319	42.1	12.9	13.8	9.9	21.3
1964	1 011	285	238	133	308	51.2	14.4	12.1	6.7	15.6
1965	597	211	262	146	258	40.5	14.3	17.8	9.9	17.5
1966	957	266	306	144	356	47.2	13.1	15.1	7.1	17.5
1967	785	196	281	151	330	45.1	11.2	16.1	8.7	18.9
1968 1st half	...	...	...	...	...	...	...	...	...	...
CHINA (Taiwan) *(new Taiwan dollar)*										
1962	1 184	852	5 465	883	3 790	9.7	7.0	44.9	7.3	31.1
1963	1 487	778	6 527	1 514	4 177	10.3	5.4	45.1	10.4	28.8
1964	1 650	939	7 341	2 107	5 124	9.6	5.5	42.8	12.3	29.8
1965	1 838	1 133	8 099	2 745	8 481	8.3	5.1	36.3	12.3	38.0
1966	1 702	1 208	10 091	1 940	10 016	6.8	4.9	40.4	7.8	40.1
1967	...	...	...	...	...	...	...	...	...	...
1968 1st half	...	...	...	...	...	...	...	...	...	...
HONG KONG *(Hong Kong dollar)*										
1962	1 609	1 685	1 876	401	1 051	24.3	25.4	28.3	6.1	15.9
1963	1 733	1 888	2 053	444	1 294	23.4	25.5	27.7	6.0	17.4
1964	2 012	2 230	2 242	561	1 495	23.6	26.1	26.2	6.6	17.5
1965	2 042	2 316	2 305	592	1 702	22.8	25.9	25.7	6.6	19.0
1966	2 216	2 681	2 784	597	1 778	22.0	26.7	27.7	5.9	17.7
1967	2 329	2 789	2 948	583	1 792	22.3	26.7	28.2	5.6	17.2
1968 1st half	1 220	1 526	1 762	287	971	21.1	26.5	30.6	5.0	16.8
INDIA *(rupee)*[b]										
1962	1 387	672	2 824	869	4 869	13.1	6.3	26.6	8.2	45.8
1963	1 675	782	2 609	932	5 231	14.9	7.0	23.2	8.3	46.6
1964	1 901	500	2 622	980	5 833	16.1	4.2	22.1	8.3	49.3
1965	3 256	560	2 844	1 110	6 431	22.9	4.0	20.0	7.8	45.3
1966	6 267	955	4 276	1 067	7 181	31.7	4.8	21.7	5.4	36.4
1967	6 578	730	5 275	1 555	6 711	31.5	3.5	25.3	7.5	32.2
1968 1st half	2 447	518	2 960	681	3 471	24.3	5.1	29.4	6.8	34.4
KOREA, Republic of[c] *(U.S. dollar)*										
1962	48.6	19.3	213.2	42.0	98.4	11.5	4.6	50.6	10.0	23.3
1963	120.6	23.1	208.1	56.4	151.7	21.5	4.1	37.2	10.1	27.1
1964	68.2	13.8	204.0	27.8	82.7	17.2	3.5	51.4	7.0	20.9
1965	63.5	17.2	248.4	24.1	86.6	14.4	3.9	56.5	5.5	16.7
1966	72.4	19.1	296.0	76.3	211.8	10.7	2.8	43.8	11.3	31.4
1967	94.1	54.2	388.2	78.7	381.5	9.4	5.4	39.0	7.9	38.3
1968 1st half	...	...	...	...	...	...	...	...	...	...
LAOS *(kip)*										
1962	589	664	158	236	282	30.5	34.4	8.2	12.3	14.6
1963	572	665	230	334	522	24.6	28.6	9.9	14.4	22.5
1964	1 392	2 333	402	403	1 593	22.7	38.1	6.6	6.6	26.0
1965	1 705	2 537	781	944	1 926	21.6	32.1	9.9	12.0	24.4
1966	3 308	2 940	638	663	2 488	33.0	29.3	6.3	6.6	24.8
1967	3 564	3 454	930	1 001	2 758	30.4	29.5	7.9	8.6	23.6
1968 1st half	...	...	...	...	...	...	...	...	...	...

21. COMPOSITION OF IMPORTS *(Cont'd)*

	VALUE *(in millions)*					PERCENTAGE DISTRIBUTION				
	Consumption goods		Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods	Consumption goods		Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods
	Food	Others				Food	Others			
MALAYSIA[d] *(Malaysian dollar)*										
EAST:										
SABAH										
1962	40.8	91.6	22.8	17.5	65.4	17.1	38.5	9.6	7.3	27.5
1963	51.1	116.0	24.2	22.8	90.4	16.8	38.1	7.9	7.6	29.6
1964	57.7	98.5	23.6	23.8	90.4	19.6	33.5	8.0	8.1	30.8
1965	57.4	118.1	22.7	28.0	108.2	17.1	35.3	6.8	8.4	32.4
1966	63.7	100.5	23.1	31.8	123.3	18.6	29.3	6.8	9.3	36.0
1967	68.2	96.1	20.7	27.6	115.8	20.8	29.2	6.3	8.4	35.3
1968 1st half	33.2	39.8	10.1	14.1	64.9	20.5	24.6	6.2	8.7	40.0
SARAWAK										
1962	68.3	54.1	215.8	11.9	47.2	17.2	13.6	54.3	3.0	11.9
1963	77.3	55.9	191.7	12.6	56.4	19.6	14.2	48.7	3.3	14.2
1964	86.1	54.6	197.0	14.2	65.3	20.2	15.1	46.1	3.3	15.1
1965	89.3	73.6	212.1	21.2	88.6	18.4	15.2	43.7	4.4	18.3
1966	93.3	74.5	239.5	23.0	95.5	17.7	14.2	45.5	4.4	18.2
1967	95.0	65.7	261.1	20.1	94.8	17.7	12.2	48.7	3.7	17.7
1968 1st half	42.7	32.6	147.2	10.3	50.1	15.1	11.5	52.1	3.6	17.7
WEST										
1962	554	468	366	370	660	22.9	19.3	15.2	15.3	27.3
1963	649	467	391	318	688	25.8	18.6	15.5	12.7	27.4
1964	695	432	444	254	696	27.6	17.1	17.6	10.1	27.6
1965	614	470	500	234	791	23.5	18.0	19.2	9.0	30.3
1966	611	450	529	180	863	23.2	17.1	20.1	6.8	32.8
1967	623	457	501	183	804	24.3	17.8	19.5	7.1	31.3
1968 1st half	...	...	...	...	...	...	...	...	...	...
PAKISTAN *(rupee)*										
1962	293	300	667	428	1 826	8.3	8.5	19.0	12.2	52.0
1963	714	281	767	439	2 031	16.9	6.6	18.1	10.4	48.0
1964	*869*	*333*	*788*	*613*	*2 147*	*18.3*	*7.0*	*16.6*	*12.9*	*45.2*
1965	739	296	875	483	2 573	14.9	6.0	17.6	9.7	51.8
1966	450	271	1 030	460	2 073	10.5	6.3	24.0	10.8	48.4
1967	...	...	...	...	...	...	...	...	...	...
1968 1st half	...	...	...	...	...	...	...	...	...	...
PHILIPPINES[e] *(U.S. dollar)*										
1962	87.4	57.3	162.0	24.0	255.7	14.9	9.8	27.6	4.1	43.6
1963	104.6	56.9	157.3	25.1	274.2	16.9	9.2	25.4	4.1	44.4
1964	122.7	64.3	198.0	40.4	354.3	15.7	8.3	25.4	5.2	45.4
1965	155.2	64.4	188.6	44.2	353.4	19.3	8.0	23.4	5.5	43.8
1966	...	...	...	...	...	...	...	...	...	...
1967	...	...	...	...	...	...	...	...	...	...
1968 1st half	...	...	...	...	...	...	...	...	...	...
THAILAND[f] *(baht)*										
1962	755	3 331	1 565	1 177	4 520	6.6	29.4	13.8	10.4	39.8
1963	812	3 163	1 804	1 275	5 601	6.4	25.0	14.3	10.1	44.2
1964	876	3 315	2 441	1 391	6 126	6.2	23.4	17.3	9.8	43.3
1965	891	4 138	2 915	1 191	6 914	5.5	25.8	18.2	7.4	43.1
1966	2 173	6 980	3 941	2 705	9 424	8.6	27.7	15.6	10.7	37.4
1967	1 035	4 275	4 403	1 734	10 595	4.7	19.4	20.0	7.9	48.0
1968 1st half[g]	516	1 932	2 579	862	5 587	4.5	16.8	22.5	7.5	48.7
VIET-NAM, Republic of *(piastre)*[h]										
1962	1 281	1 644	1 861	1 107	3 338	13.9	17.8	20.2	12.0	36.1
1963	1 569	1 532	2 633	1 427	2 855	15.7	15.3	26.3	14.2	28.5
1964	1 487	2 260	2 129	1 144	3 390	14.3	21.7	20.4	11.0	32.6
1965	1 558	1 940	3 353	1 212	4 441	12.5	15.5	26.8	9.7	35.5
1966	4 680	5 846	7 768	2 619	14,596	13.2	16.4	21.9	7.4	41.1
1967	4 063	8 098	8 447	2 833	19.602	9.4	18.8	19.6	6.6	45.5
1968 1st half	2 023	2 598	2 500	940	5 278	15.2	19.5	18.7	7.0	39.6
AUSTRALIAϕ *(Australian dollar)*										
1962	84.0	419.4	511.7	98.9	626.8	4.8	24.1	29.4	5.7	36.0
1963	86.3	463.7	626.1	109.7	840.1	4.1	21.8	29.4	5.2	39.5
1964	99.0	495.0	677.3	114.2	947.9	4.3	21.2	29.0	4.9	40.6
1965	110.5	586.9	763.1	178.0	1 221.2	3.9	20.5	26.7	6.2	42.7
1966	121.3	581.7	745.2	135.5	1 312.9	4.2	20.1	25.7	4.7	45.3
1967	128.5	609.0	800.5	144.1	1 320.2	4.3	20.3	26.6	4.8	44.0
1968 1st half	...	...	...	...	...	...	...	...	...	...
JAPAN *(yen)*										
1962	252 622	49 877	920 280	501 803	301 490	12.5	2.4	45.4	24.8	14.9
1963	377 212	72 242	1 129 757	522 066	318 424	15.6	3.0	46.7	21.6	13.1
1964	477 775	97 924	1 256 437	697 529	327 506	16.7	3.4	44.0	24.4	11.5
1965	509 772	109 468	1 313 201	726 599	281 807	17.3	3.7	44.7	24.7	9.6
1966	576 590	136 385	1 574 603	835 238	305 376	16.8	4.0	45.9	24.4	8.9
1967	623 849	177 826	1 782 503	1 219 630	394 904	14.9	4.2	42.5	29.0	9.4
1968 1st half	322 293	101 129	1 002 204	620 317	248 753	14.1	4.4	43.7	27.0	10.8

GENERAL NOTE RELATING TO TABLES 8 and 9: Total of the five groups of imports or exports do not add up to total imports or exports published in national trade returns, because (1) in a few countries a small part of the imports or exports (in no case more than 4%) are not included in the commodity trade statistics published by governments, and (2) of rounding. Percentage distribution refers to percentages of the totals of the five groups of commodities.

a. Regional totals in US dollars including all developing ECAFE countries listed in the table.

b. The trade for the period January-May 1966 has been revalued at the new rate of 7.50 rupees per U.S. dollar introduced in June 1966 (prior to 1966: the trade is valued at the rate of 4.76 rupees per U.S. dollar).

c. Including foreign aid.

d. Including trade between Sabah, Sarawak and West Malaysia.

e. f.o.b. value.

f. Beginning 1967, excluding military aid goods.

g. Port of Bangkok only.

h. The trade for the period January-May 1966 has been revalued at the rate of 80 piastres per US dollar introduced in June 1966 (prior to 1966, the trade is valued at 35 piastres per US dollar).

22. COMPOSITION OF EXPORTS

	VALUE (in millions)				PERCENTAGE DISTRIBUTION			
	Consumption goods	Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods	Consumption goods	Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods
HONG KONG *(Hong Kong dollar)*								
1962	3 319	564	109	371	76.1	12.9	2.5	8.5
1963	3 857	597	113	424	77.3	11.9	2.3	8.5
1964	4 475	641	133	505	77.8	11.1	2.3	8.8
1965	4 932	750	160	669	75.7	11.5	2.5	10.3
1966	5 588	849	188	915	74.1	11.3	2.5	12.1
1967	6 459	954	192	1 157	73.7	10.9	2.2	13.2
1968 1st half	3 472	487	95	593	74.7	10.5	2.0	12.8
INDIA *(rupee)*[a]								
1962	4 682	1 380	521	81	70.3	20.7	7.8	1.2
1963	5 274	1 568	664	95	69.4	20.6	8.7	1.2
1964	5 517	1 650	854	146	67.5	20.2	10.5	1.8
1965	5 215	1 481	819	215	67.5	19.1	10.6	2.8
1966	7 750	2 392	1 323	407	65.2	20.2	11.2	3.4
1967	7 656	2 310	1 486	550	63.8	19.2	12.4	4.6
1968 1st half	3 428	1 352	860	386	56.9	22.4	14.3	6.4
AUSTRALIAϕ *(Australian dollar)*								
1962	901.6	875.1	222.4	137.3	42.2	41.0	10.4	6.4
1963	890.7	906.4	211.5	129.6	41.6	42.4	9.9	6.1
1964	1 190.3	1 141.4	256.5	180.0	43.0	41.2	9.3	6.5
1965	1 149.4	990.2	290.8	202.2	43.7	37.6	11.0	7.7
1966	1 102.3	981.4	380.8	230.8	40.9	36.4	14.1	8.6
1967	1 229.8	1 028.8	429.8	259.7	41.7	34.9	14.6	8.8
1968 1st half	...	...	...	...	...	...	...	...
JAPAN *(yen)*								
1962	714 069	250 359	74 389	721 576	40.6	14.2	4.2	41.0
1963	701 561	278 743	91 744	879 530	35.9	14.3	4.7	45.1
1964	819 314	332 045	116 389	1 134 600	34.1	13.8	4.9	47.2
1965	914 506	417 978	173 666	1 536 477	30.0	13.8	5.7	50.5
1966	1 045 490	494 541	156 826	1 822 643	29.7	14.1	4.4	51.8
1967	1 104 225	478 366	149 800	2 026 576	29.4	12.7	4.0	53.9
1968 1st half	556 386	258 378	85 959	1 178 327	26.8	12.4	4.1	56.7

GENERAL NOTE: See table 8.

[a] The trade for the period January-May 1966 has been revalued at the new rate of 7.50 rupees per U.S.$ introduced in June 1966 (prior to 1966: the trade is valued at the rate of 4.76 rupees per U.S.$).

23. VALUE OF IMPORTS BY PRINCIPAL COMMODITY GROUPS

Monthly averages or calendar months

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
AFGHANISTAN* *(million afghanis)*					(a)								
Food	36.5	59.6	116.5	131.7	88.7	...	...	...	...	...	...	...	...
Wheat	3.7	30.5	58.0	—	—	...	...	...	...	...	...	...	...
Sugar	14.9	10.5	35.1	38.8	40.0	...	...	...	...	...	...	...	...
Tea	15.7	15.5	20.5	17.1	37.9	...	...	...	...	...	...	...	...
Mineral fuels, lubricants and related materials	29.7	39.1	45.4	32.8	27.3	...	...	...	...	...	...	...	...
Chemicals	8.2	20.7	19.2	19.6	26.9	...	...	...	...	...	...	...	...
Textile fabrics	46.5	39.9	47.5	49.8	54.5	...	...	...	...	...	...	...	...
Machinery & transport equipment	34.6	52.8	54.7	65.1	52.2	...	...	...	...	...	...	...	...
BRUNEI *(million Malaysian dollars)*													
Food	1.12	1.34	1.59	1.68	2.11	2.29	...	...	...	...	...	...	...
Mineral fuels, lubricants and related materials	0.14	0.13	0.14	0.14	0.26	0.27	...	...	...	...	...	...	...
Chemicals	0.27	0.31	0.40	0.51	0.55	0.55	...	...	...	...	...	...	...
Textiles	0.11	0.12	0.14	0.13	0.18	0.16	...	...	...	...	...	...	...
Machinery	0.52	0.91	1.62	2.35	3.11	1.99	...	...	...	...	...	...	...
Transport equipment	0.25	0.35	0.74	0.82	1.48	1.12	...	...	...	...	...	...	...
Other manufactured goods	1.05	1.42	2.48	2.54	3.67	3.28	...	...	...	...	...	...	...
BURMA *(million kyats)*													
Food	9.4	10.0	9.7	11.9	4.0	4.0	3.5	2.0	2.6	2.3	...	...	...
Chemicals	9.1	9.4	8.8	8.2	4.9	3.8	1.8	3.0	2.2	9.7	...	...	...
Textiles	21.1	22.7	20.1	27.1	12.9	6.4	10.6	5.0	3.4	8.3	...	...	...
Base metals and manufactures	10.2	10.8	10.5	11.9	5.2	5.0	7.8	3.9	6.1	4.4	...	...	...
Machinery	11.9	15.6	9.8	11.4	11.9	10.6	15.2	6.0	11.1	6.6	...	...	...
Transport equipment	4.7	6.1	9.8	6.3	6.6	4.5	6.5	1.8	2.3	3.2	...	...	...
Other manufactured goods	11.7	10.7	10.5	10.8	7.1	5.3	4.6	3.4	4.5	6.5	...	...	...
CAMBODIA *(million riels)*													
Food	29.9	24.2	20.1	12.4	14.3	19.1	27.8	15.2	19.0	24.1	...	...	...
Beverages and tobacco	7.5	7.3	3.3	3.8	4.3	3.3	4.2	3.0	3.2	3.1	...	...	...
Mineral fuels, lubricants and related materials	22.0	26.0	18.8	20.4	25.7	30.0	28.8	40.7	42.4	39.3	...	...	...
Textiles	33.7	45.5	40.6	46.4	42.0	25.1	23.7	24.3	35.0	42.1	...	...	...
Base metals and manufactures	39.4	38.2	24.8	45.4	51.1	38.0	42.1	28.2	64.5	46.4	...	...	...
Machinery	39.9	40.8	37.3	50.3	63.2	52.9	51.2	49.7	64.7	40.8	...	...	...
Transport equipment	33.9	28.3	17.5	24.1	27.2	21.6	23.9	19.6	32.9	34.6	...	...	...
CEYLON *(million rupees)*													
Food	52.4	52.6	84.2	49.8[b]	79.7	65.1	52.3	47.3	99.1	95.2	80.8	55.4	82.8
Cereals and cereal preparations	22.6	21.5	39.2	20.6	40.5	37.3	27.2	16.3	69.6	53.2	52.8	28.6	41.4
Mineral fuels, lubricants and related materials	11.3	10.8	8.9	10.0	11.3	10.2	13.0	7.9	12.9	17.4	15.7	15.4	20.6
Chemicals	10.9	10.3	12.2	12.7	15.4	13.6	14.9	11.9	21.8	11.4	15.4	25.8	22.3
Textiles	13.5	7.9	15.3	12.6	14.2	10.5	13.0	12.5	11.4	15.4	11.5	18.8	14.6
Machinery	11.7	11.9	12.0	8.3	13.3	14.0	15.6	13.5	15.6	13.5	16.9	17.1	14.7
Transport equipment	6.2	6.6	4.0	6.4	8.7	6.9	6.6	5.6	7.7	6.6	8.4	6.8	4.5
Other manufactured goods	27.7	19.8	24.2	18.9	22.0	19.0	18.4	19.7	26.6	18.6	23.9	24.2	24.5
CHINA (Taiwan) *(million new Taiwan dollars)*													
Food	98.7	123.9	137.5	153.1	141.3	178.0	...	...	...	...	...	...	...
Crude materials, inedible, except fuels	251.1	376.6	419.3	476.2	486.7	604.3	...	...	...	...	...	...	...
Oil-seeds, oil nuts and oil kernels	23.8	67.5	79.5	66.7	71.3	152.2	...	...	...	...	...	...	...
Textile fibres, raw	134.1	183.8	170.2	194.6	201.7	227.9	...	...	...	...	...	...	...
Mineral fuels, lubricants and related materials	80.9	88.4	86.8	90.4	157.5	113.3	...	...	...	...	...	...	...
Chemicals	158.5	134.0	193.6	237.7	235.7	329.2	...	...	...	...	...	...	...
Base metals and manufactures	30.6	34.3	43.9	207.4	254.8	260.5	...	...	...	...	...	...	...
Machinery	181.9	203.0	230.2	385.8	429.3	655.2	...	...	...	...	...	...	...
Transport equipment	40.7	40.9	69.1	147.5	180.8	240.9	...	...	...	...	...	...	...
Other manufactured goods	141.8	171.4	209.3	121.2	154.6	250.3	...	...	...	...	...	...	...
HONG KONG[c] *(million Hong Kong dollars)*													
Food	112.5	122.8	141.0	147.0	159.7	176.3	141.7	213.8	188.7	180.0	172.1	214.0	188.0
Live animals, chiefly for food	21.3	25.8	31.1	36.7	38.8	30.4	24.9	33.2	26.9	28.1	30.5	33.2	29.9
Cereals and cereal preparations	33.5	34.2	31.6	30.4	34.4	51.4	41.8	55.0	56.7	55.2	36.7	40.6	36.2
Fruits and vegetables	17.3	19.3	23.7	26.2	27.0	31.1	28.3	38.6	33.7	30.0	38.2	49.6	40.2
Beverages and tobacco	11.4	13.2	14.9	16.6	16.2	16.5	14.8	19.7	16.1	16.7	16.9	19.8	18.5
Crude materials, inedible, except fuels	50.1	57.7	62.2	64.0	71.5	69.2	51.0	73.5	91.1	86.1	94.5	105.0	93.2
Raw cotton	28.1	32.7	34.8	34.8	38.2	34.9	28.0	33.1	50.9	48.0	53.9	58.4	48.1
Mineral fuels, lubricants and related materials	18.8	20.7	20.2	21.9	25.2	28.8	30.0	35.8	25.6	32.3	38.5	47.4	19.1
Chemicals	31.8	30.2	41.3	36.1	41.1	45.8	38.1	48.6	43.5	54.2	63.9	71.1	60.8
Textiles	70.7	83.3	99.9	88.3	109.7	93.2	61.3	113.8	113.6	135.2	150.1	158.0	165.2
Machinery	40.6	53.8	64.7	76.7	88.1	88.0	72.4	81.6	93.1	105.3	106.7	115.1	119.3
Transport equipment	13.3	12.8	14.5	15.4	13.4	12.0	7.4	6.8	17.1	14.4	12.9	11.4	11.8
Other manufactured goods	108.8	121.5	135.2	151.0	157.6	161.0	124.6	196.9	171.2	196.8	205.8	267.8	214.3

EXTERNAL TRADE

23. VALUE OF IMPORTS BY PRINCIPAL COMMODITY GROUPS *(Cont'd)*

Monthly averages or calendar months

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
INDIA *(million rupees)*[d]													
Food	115.6	139.6	158.4	271.3	522.4	548.1	517.3	497.0	430.6	384.9	361.1	224.5	211.4
Crude materials, inedible, except fuels	105.4	97.7	100.7	106.5	159.8	176.9	170.4	112.8	140.8	199.5	135.1	114.6	141.7
Cotton raw and waste	48.3	35.8	46.7	43.2	44.7	78.1	78.3	21.0	60.1	131.0	85.4	32.5	62.9
Petroleum and products	78.5	83.0	66.7	56.3	64.7	63.2	56.7	99.0	44.0	117.7	47.6	53.6	52.1
Chemicals	79.6	72.7	76.6	89.2	147.0	201.9	217.3	227.9	265.0	236.8	285.3	267.2	232.3
Base metals and manufactures	133.4	131.7	147.7	166.8	153.1	196.8	179.8	148.6	133.0	165.6	159.5	130.6	135.8
Machinery	155.6	287.0	323.0	361.4	439.4	371.5	302.3	332.0	370.3	461.1	324.3	366.7	402.9
Transport equipment	51.5	51.7	53.6	61.7	52.4	61.6	62.8	59.3	76.4	60.1	55.3	53.6	49.3
Other manufactured goods	51.5	61.6	49.6	46.5	54.5	64.6	56.8	47.9	60.9	75.9	58.5	48.6	81.3
INDONESIA *(million new rupiahs)*[e]													
Live animals, food products, beverages and tobacco	67.0	78.1	...	...	...	...	...	...	...	...	...	...	...
Chemicals and allied products	63.0	58.8	...	...	...	...	...	...	...	...	...	...	...
Textiles, apparel and footware	110.2	68.3	...	...	...	...	...	...	...	...	...	...	...
Base metals and manufactures	59.6	34.4	...	...	...	...	...	...	...	...	...	...	...
Machinery & transport equipment	155.5	102.5	...	...	...	...	...	...	...	...	...	...	...
IRAN* *(million rials)*[f]													
Food, beverages and tobacco	337.2	390.5	814.6	513.1	...	...	...	...	...	...	...	171.0	373.4
Sugar	95.0	190.8	376.5	167.8	...	...	...	...	...	...	...	8.6	36.0
Tea	62.3	63.5	63.0	107.5	...	...	...	...	...	...	...	64.6	87.4
Chemicals	340.7	320.0	421.6	448.9	...	...	...	...	...	...	...	715.9	978.0
Base metals and manufactures	591.3	537.1	712.1	947.8	...	...	...	...	...	...	...	1 421.8	1 923.0
Machinery	879.7	704.2	1 010.9	1518.3	...	...	...	...	...	...	...	2 551.4	2 275.6
Transport equipment	240.5	276.8	492.0	585.8	...	...	...	...	...	...	...	1 156.6	941.6
KOREA, Republic of *(million US dollars)*													
Food	4.05	10.05	5.69	5.29	6.03	7.84	6.10	14.38	14.18	16.88	10.27	11.37	17.85
Cereals and cereal preparations	3.34	8.94	5.06	4.54	5.11	6.38	4.05	12.49	11.59	14.61	7.66	8.23	10.28
Beverages and tobacco	0.01	0.03	0.01	0.02	0.02	0.07	0.06	0.11	0.08	0.07	0.22	0.03	0.02
Crude materials, inedible, except fuels	7.47	8.92	8.09	9.17	12.83	17.37	18.77	22.20	18.60	19.63	22.60	24.43	25.81
Chemicals	7.78	6.66	7.03	8.62	11.21	9.42	10.35	14.71	9.19	11.79	11.38	11.24	9.07
Textiles	2.40	2.46	1.64	2.24	3.76	5.80	5.56	7.89	7.02	9.77	7.88	8.55	8.64
Machinery	5.26	7.02	4.82	4.00	10.14	15.73	16.30	21.11	21.65	32.05	35.63	27.54	37.83
Transport equipment	0.55	2.61	0.97	0.97	4.17	10.12	7.85	12.89	13.18	13.13	11.61	10.68	14.51
Other manufactured goods	4.54	5.57	2.65	4.25	7.54	10.94	11.29	14.17	11.33	12.53	15.19	15.78	18.01
LAOS *(million kips)*													
Food	60.6	59.9	122.9	142.1	286.0	297.0	184.6	125.0	...	...	...	...	...
Cereals and cereal preparations	31.6	32.2	81.4	90.0	224.1	225.4	102.0	71.8	...	...	...	...	...
Petroleum products	25.4	34.5	69.4	88.0	114.1	187.4	151.6	192.3	...	...	...	...	...
Chemicals	7.8	7.6	30.9	36.4	37.5	37.5	40.9	36.4	...	...	...	...	...
Textiles	18.4	16.0	47.4	56.4	40.2	32.4	38.7	29.8	...	...	...	...	...
Machinery	10.6	16.5	45.0	60.9	70.6	68.4	89.8	76.8	...	...	...	...	...
Transport equipment	8.4	13.8	57.1	65.5	109.3	125.8	129.2	133.6	...	...	...	...	...
Other manufactured goods	19.3	34.8	101.1	134.1	100.5	152.5	186.1	115.7	...	...	...	...	...
MALAYSIA *(million Malaysian dollars)*													
EAST													
SABAH													
Food	3.40	4.25	4.80	4.78	5.30	5.68	5.89	5.44	5.32	5.75	5.72	5.45	6.25
Mineral fuels, lubricants and related materials	1.55	1.75	2.23	2.42	3.09	2.01	1.86	1.67	2.25	2.08	2.44	2.46	1.49
Chemicals	0.76	0.95	1.12	1.13	1.36	1.41	1.41	1.49	1.36	1.70	1.72	1.90	1.52
Textiles	0.73	0.89	0.82	0.81	0.74	0.62	0.66	0.60	0.52	0.66	0.74	0.80	0.87
Machinery	3.35	4.62	3.59	5.33	6.15	5.57	5.74	4.61	5.48	6.89	6.10	6.39	5.55
Transport equipment	1.10	1.56	2.14	1.89	2.18	2.32	2.36	2.17	2.17	3.46	2.24	2.84	2.14
Other manufactured goods	3.47	4.73	5.10	5.26	5.67	5.66	5.81	6.22	5.16	5.90	6.92	7.69	6.34
SARAWAK													
Food	5.69	6.44	7.18	7.44	7.77	7.92	7.40	7.69	7.34	6.89	7.82	——7.49——	
Mineral fuels, lubricants and related materials	17.26	15.57	15.97	17.70	19.82	21.08	21.05	22.76	23.39	25.07	23.74	23.45	
Chemicals	1.22	1.24	1.40	1.63	1.97	1.93	2.24	1.76	1.48	1.95	2.38	2.34	
Textiles	0.79	0.76	0.72	0.82	0.73	0.58	0.61	0.57	0.57	0.64	0.67	0.66	
Machinery	2.15	2.41	3.08	4.10	4.15	4.20	4.21	3.48	4.30	3.67	3.45	3.60	
Transport equipment	0.67	0.89	1.06	1.57	1.58	1.70	1.80	1.94	1.58	1.73	1.92	1.97	
Other manufactured goods	3.15	3.46	5.22	4.56	5.36	4.93	5.23	4.86	3.57	5.43	5.68	5.90	
WEST													
Food	46.9	54.7	56.4	51.2	50.9	51.9	51.8	44.6	55.6	54.9	52.1	50.7	48.0
Cereals and cereal preparations	17.1	21.4	20.8	18.0	17.4	22.7	23.5	17.8	24.5	25.1	23.1	19.7	18.1
Crude materials, inedible, except fuels	28.3	24.4	19.0	19.1	13.4	13.8	15.4	12.4	16.4	19.3	27.0	27.8	34.2
Metal ores and scrap	15.2	12.6	9.3	8.2	2.4	3.5	4.8	3.3	6.4	9.4	17.0	16.9	23.5
Mineral fuels, lubricants and related materials	12.6	12.7	13.9	14.5	16.2	15.4	15.7	16.4	15.5	16.9	21.6	18.2	15.2
Textiles	9.7	10.3	10.5	11.9	11.2	11.0	10.0	13.2	12.1	12.0	14.4	16.0	16.4
Machinery	23.4	24.4	25.0	27.8	32.1	30.3	29.8	25.2	29.7	30.6	31.6	28.3	36.0
Transport equipment	16.6	17.9	18.1	20.4	21.4	17.6	19.5	15.6	20.9	19.8	22.2	17.1	28.0
Other manufactured goods	41.4	41.4	40.9	44.4	44.7	45.0	44.5	47.2	41.7	44.5	41.3	44.0	48.8

23. VALUE OF IMPORTS BY PRINCIPAL COMMODITY GROUPS *(Cont'd)*

Monthly average or calendar months

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
PAKISTAN *(million rupees)*													
Food	24.4	59.5	65.6	61.6	37.5	76.2	65.7	60.9	78.5	36.1	48.7	126.8	...
Wheat and spelt (incl. meslin)	16.2	42.3	51.9	46.3	25.3	58.3	55.0	52.5	54.9	29.5	24.3	77.9	...
Crude materials, inedible, except fuels	14.9	14.2	15.0	14.0	13.9	15.4	12.0	14.5	12.7	15.8	15.4	12.0	...
Textile fibres	5.8	4.4	3.7	3.4	3.7	3.9	3.2	3.9	2.8	7.3	4.0	4.0	...
Mineral fuels, lubricants and related materials	24.7	24.8	22.1	13.7	21.4	24.9	20.4	25.5	23.5	28.6	25.1	31.7	...
Animal and vegetable oils and fats	15.9	16.6	11.5	19.8	16.4	16.2	20.5	20.0	10.6	21.9	25.1	6.8	...
Chemicals	24.8	30.2	34.7	38.6	47.6	47.9	44.5	52.5	33.9	49.2	59.6	54.3	...
Textiles	5.6	4.8	8.3	8.8	8.5	7.1	5.7	4.7	5.7	5.5	5.9	7.1	...
Base metals and manufactures	46.4	57.3	84.4	62.7	50.7	68.8	46.8	42.5	49.6	59.7	60.8	...	...
Machinery	83.5	82.8	94.2	111.2	98.1	116.4	191.2	33.4	125.3	105.8	108.4	107.9	...
Transport equipment	31.3	39.1	33.3	45.8	38.0	39.6	38.6	39.2	28.1	29.8	42.1	17.1	...
Other manufactured goods	19.9	22.0	24.4	36.5	23.8	23.2	21.9	17.5	23.1	25.4	25.2	...	...
PHILIPPINES *(million US dollars)*[g]													
Food	7.29	8.72	10.22	12.94	10.23	13.34	17.15	12.14	13.02	9.82	...	...	...
Cereals and cereal preparations	2.34	4.91	5.53	7.90	4.40	7.06	11.88	4.59	4.09	3.25	...	...	...
Mineral fuels, lubricants and related materials	4.98	5.15	6.41	6.39	7.01	7.81	8.10	8.30	8.37	9.09	...	...	...
Chemicals	5.10	4.57	5.87	6.09	6.51	8.04	7.90	8.03	8.60	9.29	...	...	...
Textiles	2.21	1.74	1.58	1.40	2.55	2.65	2.36	3.36	2.48	3.42	...	...	...
Machinery	10.57	11.86	15.18	15.73	15.61	23.01	25.70	22.86	21.79	21.89	...	...	...
Transport equipment	5.24	5.56	7.66	7.25	9.16	10.86	12.48	8.83	10.94	12.52	...	...	...
Other manufactured goods	9.33	9.66	13.18	12.89	14.14	17.13	16.10	17.82	19.31	19.25	...	...	...
SINGAPORE *(million Singapore dollars)*													
Food	60.4	70.8	58.8	61.9	64.2	67.6	67.4	60.8	80.2	81.6	69.1	67.4	65.7
Cereals and cereal preparations	19.0	21.8	14.1	15.0	15.9	18.3	18.7	13.3	27.7	...	...	...	...
Crude materials, inedible, except fuels	91.6	80.6	52.7	58.6	62.8	53.1	53.4	46.5	50.4	42.3	51.0	56.9	53.0
Crude rubber	80.8	68.4	41.8	46.3	48.8	38.1	37.1	31.3	34.3	...	...	...	...
Mineral fuels, lubricants and related materials	50.1	48.7	39.1	42.4	51.7	61.6	59.6	61.8	77.9	69.5	75.5	75.9	72.3
Textiles	21.1	24.5	20.9	22.4	24.9	33.3	31.2	41.9	34.6	...	...	...	...
Machinery	21.2	25.6	26.4	28.8	32.4	35.6	33.1	40.5	33.2	...	...	...	...
Transport equipment	16.1	18.1	14.8	17.0	13.9	12.9	13.0	11.9	12.9	...	...	...	...
Other manufactured goods	47.8	56.5	49.0	53.3	54.5	65.0	64.6	72.1	67.4	...	...	...	...
THAILAND *(million baht)*[h]													
Food	62.9	67.6	73.0	74.2	181.1	86.2	126.7	73.4	87.5	94.2	...	...	...
Mineral fuels, lubricants and related materials	102.0	101.7	121.5	113.7	191.9	132.4	135.5	148.5	166.2	172.9	...	...	...
Chemicals	99.2	103.5	123.8	139.0	287.4	219.1	245.4	185.9	230.2	266.4	...	...	...
Textiles	135.7	126.8	143.1	136.2	143.8	156.2	131.5	152.4	142.2	132.3	...	...	...
Machinery	171.5	213.0	217.0	255.9	323.9	406.3	347.9	365.2	466.0	465.5	...	...	...
Transport equipment	91.5	112.3	159.7	154.4	251.9	237.7	267.0	233.6	225.1	246.7	...	...	...
Other manufactured goods	234.1	279.5	276.2	358.7	558.6	478.0	558.0	434.4	474.2	484.3	...	...	...
VIET-NAM, Republic of *(million piastres)*													
Food	81.2	89.3	105.8	97.6	251.6	303.1	250.4	273.3	314.6	244.4	479.9	443.8	...
Petroleum and products	51.6	56.7	53.7	65.0	112.6	189.1	245.5	182.5	82.1	245.5	190.7	259.1	...
Textile fabrics	37.2	18.0	19.3	8.5	76.8	298.4	293.7	110.2	104.1	85.1	86.7	240.5	...
Machinery	133.9	100.4	117.9	140.0	389.6	710.5	639.1	574.0	449.4	450.0	403.9	540.7	...
Transport equipment	46.1	39.4	38.8	46.8	259.5	489.1	422.4	282.7	247.4	212.5	269.6	639.6	...
WESTERN SAMOA *(thousand tala)*[i]													
Food	156	162	170	169	202	...	...	...	...	...	...	...	...
Beverages and tobacco	23	32	29	30	30	...	...	...	...	...	...	...	...
Crude materials, inedible, except fuels	15	16	57	49	16	...	...	...	...	...	...	...	...
Mineral fuels, lubricants and related materials	18	18	19	20	17	...	...	...	...	...	...	...	...
Chemicals	29	34	31	31	29	...	...	...	...	...	...	...	...
Textiles	38	34	37	34	28	...	...	...	...	...	...	...	...
Machinery	28	30	55	51	35	...	...	...	...	...	...	...	...
Transport equipment	20	32	47	25	18	...	...	...	...	...	...	...	...
Other manufactured goods	151	142	136	128	86	...	...	...	...	...	...	...	...
AUSTRALIA *(million Australian dollars)*[g]													
Food	6.31	7.17	8.20	8.85	8.97	10.04	9.19	9.58	10.60	9.62	10.97	9.96	9.40
Beverages and tobacco	2.77	2.74	2.92	3.28	2.52	3.10	2.51	2.85	3.15	3.40	3.43	4.18	4.01
Crude materials, inedible, except fuels	13.42	14.72	17.84	17.57	16.34	17.63	17.84	18.10	18.34	20.34	21.62	20.84	19.24
Mineral fuels, lubricants and related materials	18.08	19.67	20.36	21.10	20.31	20.16	18.77	20.64	19.23	21.81	19.99	21.62	24.10
Petroleum, crude and partly refined	12.87	14.66	14.83	16.32	16.70	17.61	15.99	18.24	16.89	18.61	17.50	17.58	22.08
Chemicals	15.36	17.09	20.58	21.99	22.43	24.87	26.35	22.07	27.63	26.88	28.36	29.93	29.75
Textiles	18.29	17.57	19.47	20.77	18.66	20.81	22.54	18.54	20.93	20.70	22.62	23.39	22.40
Base metals and manufactures	10.77	10.69	13.91	20.08	12.24	14.54	15.07	14.12	16.11	16.55	16.75	18.40	18.05
Machinery	35.36	38.51	49.35	59.86	61.05	63.39	69.12	56.94	73.09	67.22	71.44	62.97	66.47
Transport equipment	16.73	21.89	29.28	31.53	32.62	34.45	40.04	31.74	38.08	41.84	46.45	76.37	42.70
Other manufactured goods	24.33	25.92	29.36	33.40	33.11	37.89	40.97	37.86	41.50	39.83	46.89	46.36	45.39

23. VALUE OF IMPORTS BY PRINCIPAL COMMODITY GROUPS *(Cont'd)*

Monthly averages or calendar months

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
JAPAN *(billion yen)*													
Food	21.05	31.43	39.81	42.48	48.05	51.99	48.82	53.75	50.44	56.99	52.27	58.32	55.65
Cereals and cereal preparations	11.20	14.16	19.08	23.02	25.01	26.55	24.96	25.09	24.45	26.58	25.65	26.22	25.83
Sugar and sugar preparations	4.06	7.84	8.26	5.57	4.89	5.35	4.77	5.17	7.42	7.40	4.92	5.99	4.40
Crude materials, inedible, except fuels	70.86	82.44	91.51	95.02	114.40	133.27	132.71	134.70	136.21	150.23	142.02	147.76	147.53
Oil-seeds, oil nuts & oil kernels	6.17	8.14	8.51	9.99	12.34	12.45	11.71	13.25	13.09	12.65	11.89	13.23	12.02
Crude rubber	4.23	4.02	4.23	3.84	4.12	3.95	3.80	3.73	3.22	3.31	4.47	4.76	5.26
Textile fibres, raw	22.24	26.51	26.21	25.42	27.70	26.93	24.05	22.16	27.74	32.15	26.51	27.42	27.53
Metal ores and scrap	21.38	23.01	29.15	30.58	36.23	48.01	49.68	50.73	47.39	49.37	48.51	49.76	50.73
Mineral fuels, lubricants and related materials	31.24	36.32	42.22	48.78	54.11	67.18	63.14	79.96	77.10	78.75	80.22	85.40	82.32
Chemicals	9.01	11.07	13.74	12.24	14.91	18.32	18.38	19.89	19.92	18.86	20.83	24.59	23.26
Machinery	19.51	20.34	19.87	16.73	17.46	24.33	23.77	27.85	32.52	31.03	30.66	31.42	33.04
Transport equipment	3.51	3.65	4.86	4.61	5.43	4.81	3.28	4.38	4.56	6.86	3.23	4.50	7.08
Other manufactured goods	11.53	13.97	22.56	21.46	26.50	45.20	46.33	51.79	45.94	43.94	46.72	50.83	56.18
NEW ZEALAND *(million New Zealand dollars)*[i]													
Food	2.75	3.56	3.58	3.06	2.74	2.52	2.66	2.41	——2.79——		2.99	3.48	2.60
Wheat	0.67	0.62	0.67	0.56	0.41	0.28	0.18	0.31	0.13		0.09	—	—
Sugar and sugar preparations	0.56	1.23	1.15	0.57	0.48	0.47	0.54	0.56	0.55		0.59	0.58	0.31
Tea	0.43	0.45	0.38	0.46	0.39	0.39	0.35	0.36	0.43		0.55	0.50	0.63
Beverages and tobacco	0.57	0.59	0.61	0.69	0.67	0.62	0.70	0.67	0.77		1.14	1.20	1.36
Crude materials, inedible, except fuels	1.77	2.16	2.51	2.61	3.13	2.70	2.51	2.54	2.78		3.62	4.05	4.55
Mineral fuels, lubricants and related materials	3.68	3.86	3.98	3.37	3.70	3.51	2.76	3.70	4.74		4.49	4.36	5.26
Chemicals	3.70	4.43	5.06	6.22	6.50	5.85	6.45	4.94	7.09		9.38	10.24	8.81
Textiles	4.56	5.70	5.75	6.10	5.81	5.54	5.40	4.49	5.47		6.64	7.46	6.67
Base metals and manufactures	6.60	7.09	7.83	9.18	9.08	8.16	8.08	6.63	8.66		10.40	12.14	10.64
Machinery	8.01	9.87	10.94	12.94	13.41	12.09	11.97	7.37	11.03		13.61	12.70	12.50
Transport equipment	4.12	5.78	6.51	7.42	8.46	6.53	6.73	4.64	5.51		8.29	9.50	6.33
Other manufactured goods	4.45	5.82	5.75	6.16	6.09	5.58	6.14	4.57	5.81		8.27	8.96	7.68

GENERAL NOTE: **See table 6.**

a. Excluding loan and grant imports.

b. The sharp fall in 1965 should be interpreted with due reservation. For details see page 134, Central Bank of Ceylon *Annual Report*, 1965.

c. Net imports (Imports less re-exports).

d. The trade for the period January-May 1966 has been revalued at the new rate of 7.50 rupees per U.S.$ introduced in June 1966 (prior to 1966: the trade is valued at the rate of 4.76 rupees per U.S.$).

e. Data for 1962-1963 are converted from old rupiahs into U.S.$ at the rate of 45.0 rupiahs per U.S.$, and are again converted into new rupiahs at the rate of 10 new rupiahs per U.S.$.

f. Including the value of exchange certificates.

g. Imports valued f.o.b.

h. Beginning 1967, excluding military aid goods.

i. Imports valued f.o.b. in the country of export plus 10% and are in terms of the tala introduced on 10 July 1967 with a value of 0.5 Western Samoan £.

j. Current domestic value in the exporting country.

24. VALUE OF EXPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS

Monthly averages or calendar months

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
AFGHANISTAN* *(million afghanis)*													
Fruits and nuts, fresh and dried	69.1	60.2	92.3	141.8	140.2	...	...	...	...	...	...	...	...
Hides, skins and fur skins, undressed	57.3	81.4	72.1	105.1	88.1	...	...	...	...	...	...	...	...
Wool	32.0	31.0	30.1	11.9	40.7	...	...	...	...	...	...	...	...
Raw cotton	35.4	52.8	73.1	66.6	89.0	...	...	...	...	...	...	...	...
Carpets and rugs	31.9	26.8	42.7	53.5	50.8	...	...	...	...	...	...	...	...
BRUNEI *(million Malaysian dollars)*													
Crude petroleum	15.84	14.65	14.65	15.88	17.75	19.63	...	...	...	...	...	...	...
Natural rubber	0.20	0.15	0.14	0.10	0.07	0.04	...	...	...	...	...	...	...
BURMA *(million kyats)*													
Rice and products	66.9	68.0	60.4	55.4	47.7	26.4	24.2	9.4	15.0	48.3	...	...	...
Natural rubber	2.4	2.3	1.2	1.6	1.4	0.7	0.3	0.4	0.7	0.9	...	...	...
Teak	11.8	12.9	12.1	11.8	13.8	10.9	14.7	10.1	13.5	14.2	...	...	...
Raw cotton	3.6	2.2	2.3	3.4	1.0	0.7	0.1	0.2	0.6	0.4	...	...	...
Base metals and ores	3.0	3.1	3.8	4.2	3.2	1.6	1.7	0.8	1.6	1.2	...	...	...
CAMBODIA *(million riels)*													
Rice	42.9	136.7	177.3	161.2	70.6	107.8	192.9	64.3	59.0	163.2	...	...	...
Maize	23.0	20.1	23.7	14.8	23.8	12.3	7.1	36.5	11.0	6.4	...	...	...
Natural rubber	59.5	67.0	37.6	102.4	72.8	60.0	70.7	65.6	43.2	40.1	...	...	...
CEYLON *(million rupees)*													
Tea	95.7	95.0	95.1	100.8	85.5	88.4	95.7	79.7	89.3	74.7	130.9	110.9	86.4
Coconut and products	19.1	16.8	23.0	23.0	16.4	14.1	17.5	17.6	22.7	21.4	32.5	37.4	46.8
Natural rubber	24.2	21.4	24.2	25.3	28.1	23.5	20.9	17.1	29.4	18.1	31.7	28.7	37.2
CHINA (Taiwan) *(million new Taiwan dollars)*													
Rice	20.2	59.6	66.7	137.0	99.1	66.7	140.1	8.1	11.5	50.0	73.4	91.2	—
Fruits, fresh, dried and preserved	68.9	75.7	175.1	252.9	254.6	271.7	213.9	191.3	173.9	345.5	202.5	174.7	241.6
Sugar	152.1	341.4	427.8	196.2	175.7	130.7	104.3	63.1	155.3	228.9	156.8	44.9	64.3
Tea	24.6	25.5	26.6	29.4	33.1	35.4	35.4	46.3	40.0	32.2	24.7	49.2	80.3
Plywood	35.1	56.2	86.9	88.0	111.0	123.0	140.0	143.2	144.1	155.5	186.0	232.9	184.1
Cotton yarn and fabrics	67.2	82.3	84.3	93.5	121.4	157.7	151.1	148.0	124.2	142.8	200.4	189.8	192.2
Cement	23.5	42.0	42.9	28.9	62.4	81.4	62.5	67.2	54.3	42.3	42.1	25.3	55.5
Cotton clothing and articles of personal wear	29.0	18.5	22.9	26.7	31.6	44.4	64.5	45.9	42.4	149.7	58.8	36.0	46.9

24. VALUE OF EXPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS *(Cont'd)*

Monthly averages or calendar months

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
HONG KONG[a] *(million Hong Kong dollars)*													
Food	10.0	13.0	13.4	11.3	12.8	12.7	10.8	16.0	13.1	16.4	15.1	19.4	19.0
Crude materials, inedible, except fuels	7.1	7.1	8.5	9.0	9.2	10.4	11.0	10.8	11.1	12.2	11.5	11.4	12.0
Chemicals	4.7	4.3	4.3	4.6	4.4	5.2	5.0	6.2	4.9	6.3	6.8	8.1	8.6
Textiles	49.2	54.0	58.9	69.5	76.8	78.0	72.3	88.7	77.4	81.0	89.8	102.6	90.3
Base metals and manufactures	13.8	14.7	15.7	17.3	19.2	22.2	20.3	27.4	21.3	25.0	27.3	30.5	30.1
Machinery	10.3	14.5	17.6	26.7	41.9	52.2	48.0	65.0	49.5	61.2	74.1	96.0	67.5
Transport equipment	2.3	1.9	1.2	2.0	2.4	3.6	1.0	5.1	4.9	3.9	3.8	4.9	3.2
Clothing, except fur clothing	95.6	115.2	135.0	147.7	169.6	192.7	201.3	228.2	189.1	232.6	270.1	337.1	270.9
Other manufactured goods	77.2	87.6	107.8	123.4	136.1	176.7	183.9	213.7	184.0	220.7	256.9	240.2	249.3
INDIA *(million rupees)*[b]													
Food	186.6	213.0	214.2	197.6	297.4	307.4	327.7	381.7	287.9	249.1	368.7	382.3	279.2
Sugar	13.1	20.2	18.0	8.5	17.6	9.9	6.7	3.8	22.1	6.9	0.1	11.6	1.4
Tea	103.0	110.3	104.1	93.9	129.7	157.5	191.7	249.2	110.0	62.4	216.3	197.6	130.1
Spices	13.8	12.2	13.4	16.9	27.8	22.2	19.2	21.0	34.2	20.2	14.0	25.8	23.7
Oilseed cake and meal	22.6	28.5	31.4	31.6	44.1	37.7	27.1	35.0	49.8	50.0	31.1	46.7	26.8
Crude materials, inedible, except fuels	91.7	105.8	115.7	108.4	174.3	166.9	138.0	158.2	187.6	171.8	157.0	168.8	170.7
Hides and skins, undressed	8.4	9.1	7.2	7.8	12.6	9.6	6.8	2.2	4.7	3.0	3.9	7.9	3.2
Cotton raw and waste	14.2	14.6	12.5	12.0	13.2	16.0	15.4	9.2	20.3	14.5	17.0	6.8	6.8
Iron ore and concentrates	14.8	23.6	30.4	31.6	59.9	60.6	42.4	74.1	80.1	74.3	53.4	79.5	75.3
Vegetable oils	7.9	14.6	11.6	3.6	2.6	2.2	1.6	4.1	6.1	19.7	10.2	3.2	2.3
Chemicals	6.2	5.9	7.4	9.0	13.5	13.4	13.2	18.7	11.2	15.3	21.9	24.2	21.7
Leather and manufactures	19.0	21.1	22.9	22.7	50.9	46.1	51.7	47.0	38.8	66.2	51.7	53.5	74.4
Cotton yarn and fabrics	44.3	46.2	52.7	52.4	66.8	62.3	66.5	64.3	65.8	61.0	78.4	80.5	70.4
Jute yarn and fabrics	81.4	90.4	92.5	84.0	141.9	141.5	143.4	152.1	136.0	120.5	143.5	164.3	102.3
Other manufactured goods	86.2	101.2	123.6	129.5	189.7	205.1	203.4	224.6	197.3	215.7	296.1	300.0	309.4
INDONESIA *(million new rupiahs)*[c]													
Tea	17.2	14.8	14.2	14.1	14.3	8.0	7.7	7.9	1.29	1.48	…	…	…
Copra and copra cake	15.1	14.7	23.3	18.3	21.7	13.7	9.3	27.7	1.69	3.50	…	…	…
Natural rubber	248.7	204.1	196.5	185.0	186.1	138.7	126.8	144.2	13.42	14.76	…	…	…
Tin ore	29.1	15.8	26.2	31.6	25.5	40.7	34.2	73.8	1.14	4.61	…	…	…
Petroleum and products	179.8	224.0	222.8	226.6	169.5	198.3	361.6	431.4	20.03	23.38	…	…	…
IRAN* *(million rials)*													
Fruits, fresh, dried and preserved	148.1	118.7	118.9	139.1	…	…	…	…	…	…	…	…	…
Raw cotton	167.9	237.4	218.3	313.2	…	…	42.5	392.0	357.2	74.1	5.2	284.2	472.3
Petroleum and products	5 070.4	5 573.8	6 191.4	7 399.2	…	…	14 895.4	14 734.8	8 944.2	9 040.5	12 659.3	12 654.9	9 330.5
Carpets, hand made	138.5	165.0	227.8	283.8	…	…	263.2	302.8	398.1	288.9	383.2	346.9	461.7
KOREA, Republic of *(million US dollars)*													
Food	1.82	1.49	2.20	2.35	3.44	3.16	2.79	3.38	2.32	5.48	3.00	3.50	3.06
Crude materials, inedible, except fuels	1.61	2.20	2.62	3.09	3.89	4.83	4.76	5.68	4.45	4.47	4.93	6.08	60.1
Chemicals	0.08	0.08	0.05	0.03	0.06	0.20	0.03	0.65	0.06	0.04	0.14	0.14	0.75
Manufactured goods	0.68	2.88	4.63	8.41	11.95	16.55	16.46	22.30	18.83	26.55	28.31	25.10	26.44
LAOS *(million kips)*													
Wood and lumber	0.08	0.42	1.06	1.60	3.15	27.87	36.67	42.32	…	…	…	…	…
Tin ore	2.93	3.10	13.81	12.27	18.53	41.47	65.28	53.40	…	…	…	…	…
Gums and resins	0.02	0.13	0.02	2.26	1.41	2.04	4.29	1.29	…	…	…	…	…
Plants for use in medicine and perfumery	0.24	0.30	0.32	0.10	1.30	0.94	0.72	0.43	…	…	…	…	…
MALAYSIA *(million Malaysian dollars)*													
EAST													
SABAH													
Copra	1.54	1.47	1.32	1.13	0.94	0.47	0.49	0.43	0.47	0.57	0.57	0.43	0.63
Rubber	3.06	2.67	2.69	2.84	0.66	2.19	2.27	1.99	1.97	1.76	2.38	2.41	2.69
Timber	10.18	12.55	12.38	15.45	21.65	26.44	31.80	28.17	21.82	31.04	28.43	30.06	39.59
SARAWAK													
Pepper	1.99	1.87	1.97	3.48	2.75	2.96	3.93	2.46	1.74	2.51	4.67	— 2.63 —	
Rubber	6.05	5.80	5.01	4.95	3.85	2.70	2.70	1.51	1.64	1.76	2.47	2.99	
Timber, sawn and logs	3.40	4.48	5.18	6.87	9.07	11.34	11.97	11.57	13.40	15.06	14.92	16.98	
Mineral fuels, lubricants and related materials	18.85	16.78	17.00	18.21	20.12	22.21	21.31	23.20	23.48	25.27	25.30	25.62	
WEST													
Natural rubber	114.0	114.5	108.6	114.0	116.3	101.3	106.4	87.6	97.5	92.7	115.0	134.2	125.0
Iron ore	13.8	14.7	13.5	13.4	11.4	10.2	13.7	10.6	2.9	14.2	14.5	8.4	5.5
Vegetable oils	7.3	7.6	7.7	10.2	11.5	11.1	10.7	11.9	14.4	12.2	13.3	13.7	12.6
Tin metal	51.4	53.2	60.2	72.1	65.0	62.0	60.3	62.9	63.9	63.8	71.1	79.8	80.6

EXTERNAL TRADE

24. VALUE OF EXPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS *(Cont'd)*

Monthly averages or calendar months

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
PAKISTAN *(million rupees)*													
Fish (excl. canned)	8.2	8.3	7.6	5.0	4.9	4.5	3.0	6.7	4.2	3.9	5.7	6.8	...
Raw jute	64.5	61.4	68.4	70.6	70.2	58.5	26.3	46.4	73.9	106.4	49.1	82.5	...
Raw cotton	15.6	27.3	24.6	25.7	16.5	28.0	13.2	19.1	62.9	52.0	16.8	11.7	...
Raw wool	5.7	4.7	6.5	5.1	3.2	3.1	2.5	3.7	2.4	3.8	3.7	3.3	...
Hides and skins	4.8	4.8	3.4	3.1	1.4	0.7	0.6	0.4	0.5	0.8	0.4	0.3	...
Jute fabrics	10.2	10.4	10.6	14.9	22.3	17.0	12.3	17.9	26.8	51.1	29.1	28.4	...
Bags & sacks of textile materials	15.6	14.9	14.0	19.9	29.7	23.9	13.8	19.3	25.3	35.3	23.9	24.3	...
PHILIPPINES *(million US dollars)*													
Coconut and coconut preparations	13.30	19.45	19.63	21.55	20.78	16.99	18.51	19.74	14.04	18.95	...	...	...
Sugar, centrifugal	10.16	12.21	12.36	11.04	11.08	11.81	8.50	7.73	14.70	18.65	...	...	...
Abaca	2.06	2.63	2.53	2.02	1.56	1.23	0.86	0.99	1.23	0.87	...	...	...
Copper concentrates	2.38	3.44	2.86	3.88	6.22	6.24	5.50	7.28	5.28	7.41	...	...	...
Logs and lumber	9.40	12.74	11.93	13.50	17.06	17.28	16.99	19.07	16.26	19.11	...	...	...
SINGAPORE *(million Singapore dollars)*													
Rubber	91.0	81.0	53.7	55.7	63.3	62.7	62.9	58.1	61.1	60.8	...	...	...
Tin metal	0.9	1.4	0.5	0.7	0.6	0.5	0.4	0.8	0.6	0.4	...	...	...
Coconut oil	1.2	1.1	1.2	1.5	2.0	1.8	1.9	1.7	3.2	4.5	...	...	...
Timber, sawn	1.8	2.4	3.4	4.1	4.3	4.1	4.8	4.4	4.9	5.9	...	...	...
THAILAND *(million baht)*													
Rice	270.0	285.3	365.7	361.2	333.4	387.8	382.6	195.1	323.4	290.1	306.0	...	...
Natural rubber	175.9	158.6	171.7	166.6	155.1	131.1	120.2	108.7	155.8	127.4	118.5	...	...
Maize	41.9	69.0	112.1	80.7	126.7	113.0	52.6	168.7	132.5	114.5	68.4	...	...
Teak	14.2	11.4	14.9	16.7	20.2	16.1	14.3	13.1	14.9	15.9	12.9	...	...
Tin ore and concentrates	57.1	61.7	80.1	63.9	2.1	0.2	—	—	—	—	—	...	...
Tin metal	—	—	—	33.3	107.6	151.7	127.1	136.8	135.8	134.4	123.8	...	...
VIET-NAM, Republic of *(million piastres)*													
Rice and products	25.8	106.3	15.6	—	—	—	—	—	—	—	—	—	...
Natural rubber	110.6	97.6	97.1	74.4	115.2	88.5	62.9	86.7	66.6	40.8	76.1	64.9	...
WESTERN SAMOA *(thousand tala)*[d]													
Food	346	277	252	178	115	145	...	...	...	...	...	...	...
Bananas	151	138	132	102	13	22	...	...	...	...	...	...	...
Coco beans	194	139	118	75	100	120	...	...	...	...	...	...	...
Crude materials, inedible, except fuels	110	146	154	140	139	78	...	...	...	...	...	...	...
Copra	109	145	153	140	137	77	86	79	150	203	...	...	...
AUSTRALIA *(million Australian dollars)*											...	...	...
Food	66.29	80.72	87.87	85.29	81.20	99.90	95.55	96.92	76.36	84.45	86.18	98.30	59.82
Wheat	18.30	24.25	26.73	28.07	19.57	37.33	37.48	30.64	22.90	23.48	21.06	20.18	15.43
Crude materials, inedible, except fuels	73.63	86.51	92.53	82.48	88.35	88.26	75.30	90.25	90.27	92.45	79.86	107.83	112.51
Wool	61.55	72.11	74.62	64.84	66.71	63.02	48.45	63.76	63.50	62.21	46.90	70.87	73.89
Mineral fuels, lubricants and related materials	5.80	6.40	6.31	6.95	7.96	9.27	8.71	10.45	9.93	12.16	12.02	10.60	12.31
Chemicals	2.20	3.05	3.48	4.34	5.52	7.33	7.45	9.14	7.46	10.64	9.91	13.60	10.32
Base metals and manufactures	12.34	13.25	15.01	18.50	23.52	20.69	22.27	20.45	18.19	21.71	26.32	20.28	22.14
Machinery	3.15	4.22	5.20	5.87	6.40	7.06	7.97	6.85	5.71	7.30	8.43	8.91	6.78
Transport equipment	1.95	2.55	3.31	4.18	4.82	5.08	5.44	4.81	6.92	7.36	6.57	6.38	5.78
Other manufactured goods	4.36	4.85	5.82	6.28	7.13	8.36	9.39	8.76	8.17	12.71	12.86	12.95	13.83
JAPAN *(billion yen)*													
Food	9.91	8.39	9.38	9.98	11.07	10.84	12.13	12.46	12.32	10.18	12.75	16.89	14.73
Fish and fish preparations	7.36	6.08	6.70	6.92	8.05	7.30	8.41	8.29	8.55	6.29	8.76	12.35	9.14
Crude materials, inedible, except fuels	4.73	4.91	5.57	6.69	6.88	6.31	6.53	7.21	6.16	7.33	7.28	7.70	8.15
Textile fibres, raw	3.46	3.62	4.10	4.65	4.54	4.16	4.25	4.93	3.91	4.73	4.53	4.96	5.21
Chemicals	7.83	9.45	11.51	16.41	20.08	20.53	21.53	20.54	17.84	24.91	26.26	26.99	26.79
Textiles	28.11	27.45	31.14	34.18	38.12	36.88	35.79	41.77	31.66	41.33	45.00	48.44	47.60
Base metals and manufactures	10.95	12.37	36.07	51.53	53.33	53.36	55.15	59.33	57.64	70.09	73.66	79.12	75.52
Machinery	20.84	25.63	33.56	44.23	56.05	62.51	69.01	67.60	60.88	77.51	84.60	91.34	94.61
Transport equipment	14.14	18.58	25.17	37.30	43.17	52.00	53.92	57.18	62.49	65.17	66.83	59.85	73.41
Other manufactured goods	46.61	54.14	44.60	51.94	60.63	67.46	74.06	72.91	61.62	80.05	86.42	91.00	85.64
NEW ZEALAND *(million New Zealand dollars)*													
Food	25.44	27.48	32.86	33.06	32.90	37.11	30.40	36.01	—45.76—		34.62	43.88	37.60
Meat and meat preparations	13.02	14.18	16.79	16.68	16.89	17.84	18.16	12.77	26.14		23.48	20.40	10.86
Butter	7.30	8.22	9.76	9.47	8.55	9.70	5.86	12.99	9.20		4.01	14.48	17.71
Cheese and curd	3.13	2.91	3.32	3.24	3.48	4.12	2.61	4.97	3.86		2.05	3.32	3.18
Crude materials, inedible, except fuels	19.90	23.38	27.21	22.43	25.96	17.25	12.25	13.31	26.74		19.53	17.66	22.62
Hides and skins, undressed	2.05	2.12	2.52	2.72	3.63	2.47	2.36	1.87	4.40		4.15	3.41	2.84
Wool and other animal hair	16.12	18.91	22.15	17.09	19.47	11.70	6.94	8.33	18.26		10.68	9.00	16.24

GENERAL NOTE: See table 6.

a. Domestic exports only.

b. The trade for the period January-May 1966 has been revalued at the new rate of 7.50 rupees per U.S.$ introduced in June 1966 (prior to 1966: the trade is valued at the rate of 4.76 rupees per U.S.$).

c. Data for 1962-1965 are converted from old rupiahs into U.S.$ at the rate of 45.0 rupiahs per U.S.$, and are again converted into new rupiahs at the rate of 10 new rupiahs per U.S.$. Beginning 1968, data are shown in U.S.$.

d. Data are in terms of the tala introduced on 10 July 1967 with a value of 0.5 Western Samoan £.

25. QUANTITY OF EXPORTS OF MAJOR COMMODITIES

Monthly averages or calendar months *Thousand tons*

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
MEAT													
Australiaφ	27.3	33.3	35.5	40.0	35.9	32.0	29.6	36.9	34.1	31.2	32.6	38.3	24.0
New Zealand	40.3	41.8	46.2	41.3	41.8	45.5	45.3	31.5	54.2	57.7	48.0	49.5	27.9
DAIRY PRODUCTS													
Australiaφ	12.2	14.1	15.4	16.3	13.1	18.5	12.0	20.2	16.0	12.1	10.7	23.4	15.0
New Zealand	29.5	31.6	35.7	35.1	36.0	44.5	31.5	53.0	42.8	35.7	25.8	47.4	61.5
FISH													
Cambodia	0.45	0.26	0.07	0.05	0.15	0.27	0.31	0.09	0.27	0.06	...	...	...
India	0.79	1.36	1.61	1.12	1.40	1.48	1.27	1.55	1.70	1.64	1.55	1.95	2.59
Korea, Republic of	1.63	2.04	3.42	3.04	4.29	13.72	18.81	5.75	5.24	5.26	4.48	5.98	4.98
Malaysia: Sabah	0.12	0.10	0.08	0.10	0.14	0.17	0.18	0.15	0.19	0.23	0.10	0.17	0.10
Pakistan	3.62	3.45	*2.75*	1.99	1.88	1.32	0.79	1.44	1.21	1.48	1.50	1.40	1.87
Thailand	0.75	0.75	0.91	0.90	1.54	1.45	0.73	0.71	0.77	0.54	...	...	...
Viet-Nam, Republic of	0.06	0.08	0.08	0.08	0.08	0.05	0.07	0.03	0.01	0.01	—	...	...
Japan	17.92	18.46	24.21	21.41	21.99	16.93	18.81	17.86	16.54	17.46	16.35	19.44	19.16
WHEAT													
Australiaφ	461	345	575	476	429	542	677	548	459	450	405	383	283
RICE													
Burma	145.3	142.6	123.3	113.6	94.0	45.1	41.5	16.3	23.7	68.1	9.2	22.3	...
Cambodia	11.0	31.6	41.1	39.3	13.8	16.7	28.6	0.7	...	...	...	...	...
China (Taiwan)	3.5	10.0	10.6	21.4	14.9	9.7	21.7	1.3	1.9	6.6	10.0	12.3	—
Thailand	105.9	118.1	158.0	157.9	125.6	123.5	115.2	59.8	85.1	79.1	86.7	...	...
Viet-Nam, Republic of	7.0	26.9	4.1	—	—	—	—	—	—	—	—	...	...
MAIZE													
Burma	1.9	1.8	0.6	1.3	1.0	1.0	0.1	0.6	1.7	0.5	0.8	—	...
Cambodia	11.2	9.6	12.4	6.8	11.1	5.4	3.0	16.2	6.0	3.4	...	...	...
Thailand	39.4	62.0	92.9	67.0	101.5	91.1	41.4	146.7	117.4	101.6	64.8	...	...
SUGAR													
China (Taiwan)	52.8	53.8	69.8	65.1	70.1	46.4	30.4	21.7	53.6	83.8	47.6	19.6	25.7
India	28.2	41.7	21.6	22.7	37.2	14.8	18.3	3.5	25.7	20.4	—	21.2	4.4
Indonesia	2.8	8.8	8.8	5.8	2.3	—	—	—	—	—	...	...	...
Philippines	80.0	85.5	91.2	84.8	81.7	81.2	57.9	52.3	100.2	126.0	...	...	...
TEA													
Ceylon	17.1	17.2	17.2	18.7	16.7	18.0	20.7	15.4	16.3	13.5	23.5	19.4	15.1
China (Taiwan)	1.0	1.1	1.3	1.7	1.6	1.6	1.5	2.0	1.7	1.1	1.0	2.0	3.4
India	17.7	18.6	17.5	16.6	14.9	23.1	20.2	27.2	14.2	8.4	24.7	24.9	17.4
Indonesia	2.6	2.5	2.7	3.2	2.8	2.2	2.1	1.8	2.6	3.0	...	...	...
Pakistan	0.3	—	0.02	0.2	0.2	—	—	—	—	—	—	—	—
Viet-Nam, Republic of	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.1	—	—	0.1	...	...
Japan	0.7	0.3	0.3	0.4	0.2	0.1	0.2	0.2	0.1	0.1	0.2	0.4	—
SPICES													
Cambodia	0.07	0.07	0.07	0.15	0.12	0.14	0.16	0.06	0.08	0.37	...	...	...
Ceylon	0.27	0.28	0.32	0.31	0.28	0.28	0.36	0.34	0.28	0.29	0.49	0.65	0.59
India	4.99	4.36	4.54	4.73	4.64	4.09	4.21	3.50	6.03	5.23	3.37	5.23	3.79
Indonesia	2.68	3.55	3.11	1.99	1.73[a]	3.80	3.16	4.11	0.94	...	...	...	...
Malaysia: Sarawak	0.98	0.97	1.03	1.45	1.11	2.17	2.35	3.49	0.97	1.75	3.32	...	...
Thailand	0.67	0.39	0.37	0.18	0.11	0.16	0.03[b]	0.07[b]	0.14[b]	0.07[b]	...	...	...
HIDES & SKINS													
Cambodia	0.22	0.08	0.05	0.05	0.06	0,08	0.07	0.01	0.11	0.09	...	...	...
India	1.18	1.12	0.94	0.98	0.82	0.85	0.69	0.15	0.37	0.32	0.38	0.99	0.26
Pakistan	1.06	0.83	*0.44*	0.39	0.19	0.07	0.06	0.03	0.13	0.04	0.02	0.01	0.03
Thailand	0.06	0.51	0.61	0.61	0.75	0.40	0.31	0.33	0.49	0.46	...	...	...
NATURAL RUBBER[c]													
Brunei	0.1	0.1	0.1	0.1	0.1	—	—	—	—	—	—	—	...
Burma	0.9	0.9	0.5	0.7	0.6	0.4	0.2	0.2	0.4	0.6	0.6	—	...
Cambodia	3.1	3.3	3.5	3.8	4.2	4.1	4.7	5.0	3.4	3.0	4.7	4.2	4.8
Ceylon	8.5	7.9	9.6	10.3	10.4	11.3	9.4	11.6	11.5	11.6	12.8	11.6	14.1
Indonesia	55.0	46.7	52.3	57.9	56.7	53.4	51.9	58.8	54.9	62.5	60.8	63.9	65.4
Malaysia													
East:													
Sabah	1.9	1.8	1.9	2.0	2.0	2.0	2.1	2.0	2.1	1.7	2.2	2.2	2.4
Sarawak	2.8	3.7	3.6	3.4	2.8	2.4	2.5	1.5	1.7	1.7	2.1	2.3	2.5
West[d]	61.1	71.1	76.8	77.8	85.3	100.4	107.6	104.5	118.1	115.7	131.2	138.7	134.3
Thailand	16.2	15.6	18.0	17.6	16.8	17.4	16.4	17.0	24.7	19.5	14.2	33.4	20.5
Viet-Nam, Republic of	5.8	5.9	5.7	5.2	3.6	3.1	2.7	3.3	2.1	1.6	2.4	2.3	2.3
WOOD & LUMBER													
Burma (teak and hard woods)	13.5	13.4	13.1	11.3	11.7	8.5	10.3	7.6	9.2	9.2	11.9	10.5	...
Indonesia	8.5	7.3	5.8	11.1	*16.6*	34.0	39.3	42.7	49.6	...	...	...	...
Malaysia:													
East:													
Sabah	118.1	141.8	159.3	180.0	228.9	250.6	291.7	265.1	224.5	297.8	271.5	...	...
Sarawak	44.9	54.8	56.3	73.2	104.0	121.7	122.6	118.9	143.2	153.2	154.4	...	...
Philippines (logs and lumber)	256.3	333.6	336.2	425.5	509.7	489.4	777.5	532.0	460.1	525.9	...	...	...
Thailand (teak)	2.4	2.0	2.5	2.8	3.0	2.2	2.0	1.7	1.9	2.0	1.7	...	...
New Zealand (timber sawn, million sup. ft.)	2.4	2.4	2.9	2.7	2.6	3.1	3.8	4.5	4.6	7.9	9.1	8.7	5.2

25. QUANTITY OF EXPORTS OF MAJOR COMMODITIES *(Cont'd)*

Monthly averages or calendar months *Thousand tons*

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
WOOL													
Afghanistan*	0.5	0.5	0.4	0.1	0.5	...	...	...	...	...	...	...	...
India	0.9	0.6	1.1	0.9	0.9	0.8	0.8	0.7	0.8	0.8	0.5	1.1	0.8
Iran*	0.3	0.3	0.3	0.1	...	...	0.1	0.3	0.1	0.1	0.2	0.1	—
Pakistan	1.2	0.8	*0.8*	0.9	0.6	0.8	0.6	1.1	0.7	1.1	1.0	1.0	1.3
Australiaϕ	55.1	53.5	57.0	54.9	58.5	59.6	48.4	65.2	65.9	65.3	47.9	69.3	68.5
New Zealand	20.6	21.3	20.9	20.7	23.6	17.1	10.9	14.8	29.1	33.0	17.0	13.4	22.9
COTTON, RAW													
Afghanistan*	0.9	1.4	1.7	1.3	1.7	...	...	...	...	...	...	...	...
Burma	1.7	1.0	0.9	1.3	0.4	0.3	0.1	0.1	0.3	0.1	—	—	—
India	4.2	5.5	4.2	3.4	2.2	3.7	3.5	1.7	5.0	2.6	2.9	1.1	1.2
Iran*	4.4	6.1	5.7	8.8	...	...	2.1	10.8	9.5	2.5	1.0	6.5	10.9
Pakistan	6.4	11.8	*5.7*	10.3	7.4	15.6	6.0	19.4	27.1	22.9	7.6	5.3	12.5
JUTE													
Pakistan (raw)	61.8	61.5	*62.9*	58.7	56.2	43.9	22.8	41.2	129.0	32.8	40.7	68.6	85.8
India (bag and cloth)	94.6	75.9	86.6	65.0	59.6	61.7	64.6	60.9	53.4	52.7	59.8	56.5	44.6
HEMP, RAW													
India	1.0	1.3	1.2	0.7	0.4	0.5	0.2	0.2	0.4	0.2	0.2	0.1	0.2
Malaysia: Sabah	0.3	0.3	0.3	0.2	0.3	0.3	0.2	0.3	0.2	0.4	0.2	0.4	0.2
Philippines	7.7	9.4	8.7	7.4	6.6	5.6	4.1	4.9	6.3	4.2	...	...	...
IRON ORE													
Hong Kong	9.7	10.1	11.0	12.1	11.7	14.1	9.7	18.0	16.4	13.0	13.0	9.8	24.4
India	286.1	683.4	861.2	938.7	1 130.8	1 131.1	721.1	1 307.9	1 517.6	1 320.3	872.9	1 508.4	1 402.4
Korea, Republic of	30.3	46.6	40.6	59.1	53.4	55.7	51.6	57.7	60.6	67.1	56.4	41.8	61.9
Malaysia: West	545.4	557.3	534.9	561.7	481.0	444.2	605.7	449.1	120.2	659.6	709.9	397.9	233.1
Philippines	84.1	111.1	112.1	69.8	54.1	...	...	...	...	...	...	...	...
TIN CONCENTRATES													
Burma	*0.12*	*0.12*	*0.06*	0.11	0.05	*0.01*	—	—	—	—	0.02	—	0.01
Indonesia	1.42	1.09	1.00	0.98	0.62	1.08	0.90	2.00	0.95	2.04	...	...	...
Laos	0.04	0.03	0.04	0.03	0.04	0.04	0.04	0.02	0.01	0.04	0.04	0.09	0.12
Thailand	1.21	1.31	1.33	0.91	0.04	—	—	—	—	—	...	...	...
COAL													
China (Taiwan)	10.7	7.6	8.0	0.2	—	—	—	—	—	—	—	—	—
India	88.0	72.5	103.7	77.0	29.6	20.8	5.5	26.4	36.2	32.9	37.5	36.7	65.7
Korea, Republic of (anthracite)	25.1	21.9	21.0	17.1	13.5	14.3	19.6	19.6	18.4	16.7	16.9	18.5	16.6
MANGANESE ORE & CONCENTRATES													
India	64.8	77.0	131.3	95.6	112.3	92.4	69.8	103.4	85.4	105.8	95.2	135.8	80.0
PETROLEUM & PRODUCTS													
Brunei (crude oil)	318	290	293	328	385	421	439		...	...	...	...	...
Indonesia	987	1 268	1 463	1 460	1 202	1 547	1 562	1 615	1 546	1 799	...	...	...
Iran* (crude oil)	3 770	4 351	4 837	6 276	6 888	10 060	14 411	13 924	7 486	8 027	11 272	11 773	7 665
Malaysia: Sarawak (petroleum products)	173	158	148	164	179	194	...	...	...	...	...	...	...
COPRA[e] & COCONUT OIL													
Ceylon	12.6	9.2	13.1	9.6	7.3	6.5	8.1	6.8	6.5	3.9	6.4	6.3	15.0
Indonesia (copra)	5.9	5.8	9.4	6.6	6.3	6.0	4.5	12.0	5.6	11.8	...	...	...
Malaysia													
East: Sabah	2.5	2.2	1.8	1.3	1.4	0.8	0.8	0.7	0.6	0.7	0.9	0.7	1.1
West (coconut oil)[c]	2.7	2.4	1.1	1.4	2.0	2.4	3.0	2.7	2.6	4.1	3.9	3.0	1.3
Philippines	53.9	71.4	67.7	66.8	76.0	59.9	65.6	63.0	36.5	45.6	...	...	...
Singapore (coconut oil)	0.7	0.5	0.6	0.6	1.3	1.0	1.0	0.7	2.7	3.9	...	...	...
PALM OIL													
Malaysia: West[c]	8.5	9.6	10.4	11.8	15.1	15.0	13.5	16.4	23.8	16.0	21.4	29.9	33.1
Indonesia	8.4	9.1	11.1	10.5	14.8	11.0	12.3	12.9	12.0	12.4	...	...	...
GROUND NUTS[e] & OIL													
India	4.4	8.0	6.1	0.3	0.2	0.04	—	0.1	1.4	1.0	0.3	0.1	0.1
Indonesia (groundnuts)	0.6	0.3	0.1	0.5	...	0.8	0.6	2.0	0.6	...	...	...	...
Thailand (groundnuts)	1.2	1.2	1.0	1.5	1.5	0.7	0.7	0.6	0.1	0.2	...	...	...
COTTON YARN													
Hong Kong	0.90	0.84	1.04	1.21	1.23	0.94	0.85	1.00	0.63	0.89	0.85	1.08	0.95
Japan	1.42	1.22	1.40	0.95	1.32	0.51	0.49	053	0.45	0.58	0.58	0.77	0.59
COTTON FABRICS *(million sq. metres)*													
Hong Kong	19.4	27.5	27.4	32.6	36.6	36.8	32.7	41.2	36.7	35.1	38.0	42.0	36.3
Japan	100.9	84.0	82.6	84.0	82.7	66.8	60.3	72.5	44.9	55.1	54.9	58.8	54.3
India *(million metres)*	42.7	44.7	44.8	45.3	38.8	36.7	37.4	37.8	45.8	37.0	41.1	46.8	36.0
TIN METAL													
Indonesia	—	0.02	0.04	0.05	0.04	0.06	0.04		0.53	...	...	...	...
Malaysia: West[d]	6.89	7.29	6.04	6.21	6.06	6.23	5.99	6.41	6.76	6.84	7.70	8.61	8.43
Thailand	—	—	—	0.41	1.47	2.25	1.87	2.06	2.24	2.20	1.93	2.54	1.27

a. Pepper only. b. Port of Bangkok only. c. Net exports. d. Including Singapore.

e. In terms of oil equivalent.

26. INDEX NUMBERS OF QUANTUM, UNIT VALUE AND TERMS OF TRADE

1963 = 100[a]

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
A. Quantum													
CEYLON *(Central Bank index)*													
Imports	116	100	133	97	135	108	104	82	126	108	106	...	...
Exports	104	100	107	113	103	107	120	94	107	82	139	...	...
CHINA (Taiwan)													
Imports *(ordinary and ICA)*	87	100	114	145	153	192	198	212	159	184	241	313	283
Exports	81	100	131	150	180	182	159	159	173	241	187	188	204
INDIA[b]													
Imports	103	100	107	129	127	130	130	130	133	137	121	..	...
Exports	93	100	112	103	98	102	100	114	106	110	127	...	...
KOREA, Republic of													
Imports	...	100	71	80	125	171	166	235	209	251	244	238	277
Exports	...	100	134	190	247	304	291	385	306	442	431	422	426
MALAYSIA: West													
Imports	101	100	95	111	102	...	...	...	...	...	...	...	...
Exports	93	100	100	109	114	...	...	...	...	...	...	...	...
PAKISTAN[c]													
Imports	81	100	119	109	105	...	105	...	...	...	...	...	...
Exports	91	100	108	99	101	...	67	...	...	...	...	...	...
PHILIPPINES													
Imports	102	100	124	127	135	161	170	161	166	170	194	...	..
Exports	80	100	102	105	111	108	102	110	95	115	102	...	.
THAILAND													
Imports	89	100	111	120	147	163	156	162	177	179	...	...	...
Exports	97	100	126	131	139	138	117	117	136	131	...	...	...
VIET-NAM, Republic of													
Imports	90	100	115	127	268	191	170	152	112	121	147	278	...
Exports	80	100	65	48	33	27	22	29	23	14	22	19	...
AUSTRALIAϕ													
Imports	81	100	109	130	132	134	...	...	...	...	...	...	...
Exports	103	100	117	115	116	132	...	...	...	...	...	...	...
JAPAN													
Imports	85	100	115	116	134	170	160	174	175	187	182	197	198
Exports	89	100	124	159	184	190	196	208	192	232	244	252	260
NEW ZEALAND													
Imports	83	100	104	115	118	105	105	98	115	109	138	136	
Exports	94	100	104	101	107	110	91	104	138	145	109	...	
B. Unit Value													
CEYLON *(Central Bank index)*													
Imports	90	100	102	104	113	117	128	136	166	180	190	...	...
Exports	100	100	100	102	97	91	87	94	104	108	111	...	...
CHINA (Taiwan)													
Imports *(ordinary and ICA)*	95	100	97	99	104	103	103	102	102	101	103	104	104
Exports	79	100	102	80	79	83	90	85	82	82	83	82	82
INDIA[b]													
Imports	97	100	102	105	158	158	152	145	152	154	146	...	...
Exports	100	100	100	106	164	160	164	158	153	153	156	...	...
KOREA, Republic of													
Imports	...	100	101	103	102	104	104	104	101	101	102	100	103
Exports	...	100	102	106	117	121	122	123	125	124	125	126	127
MALAYSIA: West													
Imports	96	100	106	92	102	...	...	...	...	...	...	...	...
Exports	104	100	102	105	101	...	...	...	...	...	...	...	...
PAKISTAN[c]													
Imports	96	100	101	101	99	...	103	...	...	...	...	...	...
Exports	130	100	98	109	117	...	117	...	...	...	...	...	...
PHILIPPINES													
Imports	94	100	101	103	104	107	109	106	106	106	...	...	...
Exports	95	100	99	101	102	104	101	110	112	113	...	...	...
THAILAND													
Imports	101	100	100	101	99	100	101	101	97	96	...	...	...
Exports	102	100	101	102	105	107	110	104	104	100	...	...	...
VIET-NAM, Republic of													
Imports	103	100	92	98	117	226	220	221	240	218	219	223	...
Exports	92	100	98	96	157	180	177	162	148	172	185	187	...
AUSTRALIAϕ													
Imports	100	100	102	103	106	107	106	106	102	...	...	...	..
Exports	95	100	113	104	106	104	99	99	99	100	100	...	...
JAPAN													
Imports	99	100	102	105	105	105	105	107	106	105	103	102	102
Exports	101	100	99	98	98	101	102	102	100	101	102	103	101
NEW ZEALAND													
Imports	101	100	102	101	102	103	104	103	119	118	121	126	
Exports	91	100	109	105	104	94	93	91	101	101	102	108	

EXTERNAL TRADE

26. INDEX NUMBERS OF QUANTUM UNIT VALUE AND TERMS OF TRADE *(Cont'd)*, *1963=100*[a]

C. Terms of trade

Percentage of unit value index of exports to unit value index of imports

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
CEYLON *(Central Bank index)*	111	100	98	98	86	78	68	69	63	60	58		
CHINA (Taiwan)	83	100	105	81	76	80	87	83	81	81	81	79	79
INDIA	103	100	98	101	104	101	108	109	101	99	107		
KOREA, Republic of	...	100	101	103	115	117	117	119	124	123	122	127	123
MALAYSIA: West	108	100	100	96	114	99	...	...	...	...			
PAKISTAN	135	100	97	108	118	...	114	...	...	...			
PHILIPPINES	101	100	98	98	98	97	93	104	106	106			
THAILAND	101	100	101	101	107	107	109	103	108	...			
VIET-NAM, Republic of	89	100	106	98	134	80	80	73	62	79	84	84	
AUSTRALIAϕ	95	100	111	101	100	97	93	93	97	...			
JAPAN	102	100	96	93	93	96	98	95	94	96	99	101	99
NEW ZEALAND	90	100	107	104	102	91	89	88	85	86	84	86	

a. Original base: *Ceylon*, 1958; *China: Taiwan*, 1961; *India*, 1958; *Republic of Korea*, 1963, *Malaysia (West)*, 1959; *Pakistan*, 1960/61; *Philippines*, 1955; *Thailand*, 1953; *Republic of Viet-Nam*, 1949; *Japan*, 1965; For *Australia* and *New Zealand*, see United Nations, *Supplement to the Monthly Bulletin of Statistics*, 1963.

b. Index based on unrevised value data.

c. Imports excluding land trade, index in terms of U.S. dollars.

PRICES

27. INDEX NUMBERS OF WHOLESALE PRICES, *1963=100*[a]

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
BURMA† (1962/63=100)													
All agricultural produce	108	100	93	95	95	134	150	149	...	...	...	...	...
Cereals	101	100	90	93	93	92	94	93	...	...	...	...	...
Non-food agricultural produce	108	100	91	92	96	179	213	229	...	...	...	...	...
CHINA (Taipei)[b]													
General index	94	100	103	98	99	102	101	103	101	102	104	104	103
Food	92	100	105	98	100	102	101	103	103	106	109	111	109
Apparel	98	100	101	99	94	94	93	94	92	91	90	90	90
Metals and manufactures thereof	102	100	102	103	98	97	97	96	101	101	104	103	103
Building materials	101	100	101	106	109	122	130	130	105	107	111	111	112
Manufactured products	90	100	109	106	111	...	...	...	...	...	...	...	...
Industrial materials	98	100	100	102	108	108	108	107	108	107	107	107	107
INDIA													
General index	96	100	112	122	138	160	166	163	155	155	162	166	160
Food articles	94	100	117	125	143	179	194	188	175	176	183	186	173
Industrial raw materials	100	100	114	132	160	166	160	158	151	147	158	172	171
Manufactured articles	98	100	104	112	123	128	127	127	126	125	128	131	132
Intermediate products	101	100	107	120	141	156	155	152	146	142	145	148	148
Finished products	98	100	103	110	119	123	122	122	122	122	125	128	129
IRAN													
General index	100	100	104	107	106	106	104	105	108	108	106	106	106
Domestic goods[c]	101	100	106	111	108	108	105	106	110	110	107	107	108
Imported goods	98	100	101	102	103	104	105	104	104	103	103	104	104
Exported goods	99	100	102	103	103	104	103	103	105	105	105	104	104
Farm products	101	100	108	114	111	112	105	107	114	115	108	106	107
Building materials	104	100	107	110	110	112	114	112	112	113	113	114	114
KOREA, Republic of													
General index	83	100	135	148	161	172	174	176	182	185	186	188	191
Food and beverage	70	100	139	136	146	159	166	161	169	176	177	180	186
Metal and metal products	92	100	137	169	190	193	196	196	203	209	209	210	210
Machinery and machine parts	90	100	127	146	168	186	187	194	201	204	203	206	206
Building materials	94	100	134	158	178	182	182	184	194	200	200	200	200
Fibre and fibre products	88	100	142	173	192	208	207	215	218	218	220	224	224
Import goods	84	100	140	168	168	171	171	170	169	168	168	169	169
Producer goods	90	100	133	156	169	174	174	178	180	182	183	184	186
Consumer goods	78	100	136	143	156	170	174	175	182	186	187	191	194
PAKISTANϕ *(1962/63=100)*													
General	101	100	100	107	112	128	126	123	118	123	132	134	135
Food	102	100	99	107	112	133	134	129	122	128	140	142	143
Raw materials	102	100	100	116	119	119	102	100	101	102	107	108	110
Fuel, lighting and lubricants	100	100	106	106	110	119	120	120	123	123	123	124	124
Manufactured products	97	100	101	102	108	111	112	114	115	117	119	121	121
PHILIPPINES (Manila)													
General index	91	100	105	107	112	117	117	122	122	121	119	116	119
Food	88	100	107	108	119	126	125	131	128	126	...	...	...
Crude materials	90	100	106	114	107	117	116	129	140	141	...	...	...
Chemicals	95	100	102	103	102	104	104	104	106	106	...	...	...
Manufactured goods	97	100	104	106	108	108	108	108	108	109	...	...	...
Domestic products	91	100	105	108	114	120	120	125	126	125	122	118	122
Exported products	84	100	97	100	100	108	108	118	129	131	116	111	110
Imported products	94	100	101	101	103	103	104	104	104	104	104	104	104
THAILAND (Bangkok)													
General index	107	100	94	97	111	119	122	118	114	114	115	111	109
Agricultural produce[d]	109	100	88	94	113	115	117	112	106	109	110	106	105
Foodstuffs[d]	107	100	94	96	112	127	133	127	122	120	121	115	112
Clothes	99	100	105	110	109	108	108	108	110	112	112	112	112
Metal	103	100	105	108	108	109	106	107	106	107	106	106	114
Construction materials	101	100	101	101	101	101	101	100	100	100	100	101	101

27. INDEX NUMBERS OF WHOLESALE PRICES *(Cont'd)*

1963 = 100[a]

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
VIET-NAM (Saigon-Cholon)													
General index	97	100	103	112	146	193	197	199	204	208	210	214	216
Rice and paddy	101	100	108	123	154	244	246	250	254	253	245	251	254
Raw materials	105	100	97	96	127	155	157	145	149	153	152	153	152
Semi-finished products	102	100	101	120	222	245	244	246	248	247	249	249	259
Manufactured products	96	100	103	107	120	141	142	149	155	165	170	174	174
Local products	97	100	102	113	154	216	222	222	230	231	232	240	241
Imported products	95	100	104	110	131	153	155	157	159	165	167	169	171
AUSTRALIA													
Basic materials[e]	98	100	102	106	110	113	115	111	111	116	114	112	112
Domestic goods	98	100	103	107	112	115	119	113	113	119	117	114	113
Imported goods	99	100	101	102	103	104	104	105	105	106	106	106	107
Building materials	97	100	109	112	113	113	113	113	114	116	116	118	118
JAPAN													
General index	98	100	100	101	103	105	105	106	107	106	106	106	107
Foodstuffs	94	100	100	103	107	109	108	112	112	113	114	116	118
Textiles	92	100	97	94	96	101	102	103	104	102	102	101	101
Metal products	102	100	103	105	106	109	109	110	110	109	109	111	111
Machinery	101	100	99	99	99	100	100	100	100	100	100	100	99
Building materials	101	100	101	102	109	115	114	115	115	114	114	116	116
Chemical goods	102	100	101	102	99	98	97	97	97	96	95	95	95
Producer goods	99	100	101	100	104	106	106	107	107	105	105	105	105
Consumer goods	96	100	100	103	106	108	108	110	110	111	112	114	115
NEW ZEALAND[f]													
General	97	100	104	106	107	107	106	107	112	113	115	*118*	*118*
Domestic goods	96	100	106	107	108	107	106	107	111	111	113	*117*	*117*
Imported goods	98	100	100	102	104	108	108	108	118	120	122	*124*	*124*
Building materials	100	100	102	106	108	111	112	112	116	119	120	*122*	*122*

a. Original base: Burma, Oct. 1961/Sept. 1962; China, 1956, except indexes of manufactured products and industrial materials for which the base is 1953; India Apr 1952/Mar 1953; Iran, 21 Mar 1959/20 Mar 1960; Korea, Rep. of 1960 prior to 1965, 1965 since 1965; Pakistan, Jul 1959/June 1960; Philippines, 1955; Thailand, Apr 1938/Mar 1939; Republic of Viet-Nam, 1949; Australia, average 3 years ended June 1939; Japan, 1965; New Zealand, 1958.

b. Beginning 1968, 1963-1965 average = 100.

c. Home produced and consumed goods.

d. Agricultural produce including paddy, rice meal, copra, rubber, etc., foodstuffs including milled rice, pork, bananas, etc.

e. Home consumption of foodstuffs and industrial raw materials.

f. Quarterly figures refer to the last month of each quarter.

28. INDEX NUMBER OF PRICES RECEIVED AND PAID BY FARMERS

1963 = 100[a]

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
CHINA (Taiwan)													
Prices received by farmers (R)	93	100	106	104	107	110	111	115	114	115	120	123	122
Prices paid by farmers (P)	97	100	103	103	106	110	110	111	112	115	118	119	118
Productive goods	98	100	104	105	105	105	105	107	108	110	110	110	111
Domestic expenditure	97	100	102	103	107	110	110	111	110	114	118	119	118
Financial and others	99	100	104	105	108	122	124	123	126	131	137	138	140
Ratio (R) ÷ (P)	96	100	103	101	101	100	101	104	102	100	102	104	103
INDIA (West Bengal)													
Prices received by farmers (R)	97	100	107	112	...	...	...	...	...	...	...	...	...
Prices paid by farmers (P)	91	100	107	119	...	...	...	...	...	...	...	...	...
Cultivation cost	...	...	...	...	...	...	...	...	...	...	...	...	...
Domestic expenditure	...	...	...	...	...	...	...	...	...	...	...	...	...
Ratio (R) ÷ (P)	107	100	101	94	...	...	...	...	...	...	...	...	...
KOREA, Republic of													
Prices received by farmers (R)	71	100	124	137	143	168	174	173	173	187	190	193	192
Prices paid by farmers (P)	83	100	135	156	171	197	200	211	208	224	230	232	233
Farm supplies	99	100	128	189	202	231	239	248	228	257	265	265	261
Domestic expenditure	78	100	137	145	159	184	184	196	199	210	213	214	217
Wages and services	76	100	137	150	170	198	204	214	217	234	254	258	265
Ratio (R) ÷ (P)	85	100	92	88	84	85	87	82	83	84	83	83	83
AUSTRALIA[b] *(average of 4 quarters ended June 1963 = 100)*													
Prices received by farmers (R)	96	100	106	106	109	106	109	108	109	112	...	...	...
Prices paid by farmers (P)	100	100	101	105	109	112	115	116	117	118	...	...	...
Cultivation cost	100	100	101	105	110	113	116	117	118	119	...	...	...
Domestic expenditure	100	100	101	104	108	111	114	115	115	116	...	...	...
Ratio (R) ÷ (P)	96	100	105	101	99	94	92	91	90	95	...	...	...
JAPAN‡ *(Apr 1963/Mar 1964 = 100)*													
Prices received by farmers (R)	94	100	105	116	126	139	130	137	140	136	137	139	...
Prices paid by farmers (P)	96	100	103	108	114	122	120	123	124	125	126	128	...
Cultivation cost	97	100	101	106	113	120	119	121	122	123	124	125	...
Domestic expenditure	95	100	104	109	115	123	122	124	125	126	127	129	...
Ratio (R) ÷ (P)	98	100	102	108	110	114	108	111	113	109	108	109	...

a. Original base: *China (Taiwan)*, 3 years average (1961-1963); *India (West Bengal)*, 1939; *Republic of Korea*, 1965; *Australia*, average of 5 years ended June 1950; *Japan*, Apr 1960/Mar 1961.

b. Annual figures refer to averages of 4 quarters ending June of year stated; quarterly figures refer to the last month of each quarter.

PRICES

29. PRICE QUOTATIONS OF MAJOR EXPORT COMMODITIES

	Unit	1962	1963	1964	1965	1966	1967	1967		1968				
								III	IV	I	II	III	Oct.	Nov.
LAMB														
New Zealand	*US$ per 100 lbs*	18.44	19.64	22.27	25.82	23.27	21.42	20.11	21.23	32.27	20.63	18.90	19.31	20.66
BUTTER														
Australia	*Sh. Sterling per cwt*	296.5	325.2	337.5	329.9	300.5	300.0	300.0	300.0	300.0	300.0	...	...	...
New Zealand	*US$ per 100 lbs*	32.3	35.6	38.3	38.2	34.6	33.2	33.5	32.3	28.5	28.7	28.1	28.4	31.4
WHEAT														
Australia	*A. cents per 60 lbs*	147	145	153	136	151	148	146	142	142	142	142	142	143
RICE														
Burma	*£ per long ton*	33.2	34.7	36.3	37.6	37.6	43.7	43.7	43.7	63.0	63.0	63.0	63.0	63.0
Cambodia	*Ri. per 100 kg*	280	367	376	354	445	591	621	383	600	595	...	...	...
China (Taiwan)	*NT$ per m. ton*	5 772	5 991	6 275	6 388	6 688	6 845	6 457	6 226	5 984	7 633	7 280	7 413	...
Thailand	*Baht per m. ton*	1 893	1 682	1 544	1 536	2 086	2 398	2 673	2 431	2 123	2 006	2 028	1 901	1 857
SUGAR														
China (Taiwan)	*US$ per m. ton*	77.3	166.8	154.5	74.4	64.1	66.3	78.3	61.9	77.9	60.5	55.9	56.5	...
India	*Rs. per maund*	38.2	40.7	44.5	45.3	47.7	52.6	53.6	54.4	59.5	59.5	59.5	59.5	59.5
Indonesia	*Rp. per 100 kg*	993	6 330	11 450	48 716	936[a]	...	...	...	...	...	...	...	...
Philippines	*Peso per picul*	26.8	35.8	28.6	27.1	32.4	34.9	35.6	35.2	35.0	35.3	...	...	...
TEA														
Ceylon	*Rs. per lb*	2.68	2.49	2.55	2.53	2.44	2.46	2.49	2.64	2.65	2.52	2.65	2.81	2.45
China (Taiwan)	*NT$ per kg*	20.90	20.06	16.36	15.32	18.68	18.26	20.42	18.15	19.15	17.89	19.50	20.37	17.49
India	*Rs. per kg*	5.10	5.18	5.10	5.50	6.40	6.39	7.18	5.78	4.87	7.72	6.60	5.52	5.11
PEPPER														
Cambodia	*Ri. per 100 kg*	...	2 566	3 208	3 812	3 963	3 096	3 092	2 963	3 117	2 916	...	...	...
India	*Rs. per maund*	123.7	125.8	130.0	147.9	193.2	185.9	188.7	176.3	177.8	184.3	184.8	186.6	186.6
Indonesia	*Rp. per 100 kg*	10 505	28 396	50 665	252 723	2 942[a]	...	...	...	...	...	...	...	...
Malaysia	*M$ per picul*	103.1	93.8	100.2	127.8	125.6	92.1	81.0	88.3	96.2	77.3	72.8	*79.2*	*79.2*
Singapore	*M$ per picul*	122.8	113.8	132.1	–	–	112.2	102.0	115.9	126.8	103.1	101.1	102.0	108.0
HIDES														
Pakistan	*Rs. per 82 lbs*[b]	113.27	130.73[c]	26.84	21.82	26.18	17.67	16.00	18.17	22.00	22.00	30.00	34.00	37.00
SKINS														
India	*Rs. per 100 pcs*	291.3	307.2	333.9	343.5	758.4	883.5	910.0	677.5	449.9	525.4	548.1	562.5	550.0
Pakistan	*Rs. per 100 pcs*	150.3	150.0	159.7	200.0	273.5	226.0	233.3	270.8	270.8	266.7	320.8	312.5	316.7
GROUNDNUTS														
India	*Rs. per maund*	34.46	33.66	42.64	49.15	70.61	68.88	64.23	56.77	52.08	44.21	58.30	68.30	62.18
COPRA														
Ceylon	*Rs. per candy*	203.7	227.8	237.2	296.0	294.6	293.1	281.0	333.0	398.3	406.8	407.6	382.8	386.9
Malaysia	*M$ per picul*	27.27	29.89	...	...	...	38.50	...	38.50	40.30	40.67	29.67	28.25	29.25
Indonesia	*Rp. per 100 kg*	1 679	5 150	7 729	27 790	380[a]	...	...	...	...	...	...	...	...
Philippines	*Peso per 100 kg*	47.31	54.09	56.00	64.25	55.57	63.07	61.21	76.64	89.80	89.92	...	...	...
RUBBER, NATURAL														
Ceylon	*Rs. per lb*	1.35	1.27	1.18	1.21	1.18	1.04	.93	.81	.91	.91	.99	1.09	1.12
Indonesia	*Rp. per 100 kg*	9 182	19 642	41 208	162 896	1 455[a]	...	...	...	...	...			
Singapore	*M Cents per lb*	78.20	72.42	68.14	70.02	65.36	54.08	52.69	49.68	47.67	52.17	54.74	56.95	57.98
Thailand	*Baht per kg*	11.15	10.48	9.75	10.02	9.50	7.99	7.91	7.19	6.79	6.49	...	...	...
United Kingdom	*Pence per lb*	23.0	21.4	20.2	20.8	19.5	16.5	16.0	15.6	16.6	18.3	19.3	20.3	20.5
TIMBER														
Burma	*K. per cu. ton*	1 064	1 048	982	1 077	1 218	1 346	1 475	1 510	1 448	1 573	1 171	...	...
Malaysia	*M$ per ton 50 cu. ft*	88.2	90.0	78.8	87.1	96.1	107.1	110.7	107.8	98.6	105.8	106.3	105.4	104.7
Philippines	*US$ per 1,000 bd. ft*	62	65	60	54	57	60	60	61	60	61	...	...	...
Thailand	*Baht per cu. m.*	5 257	5 227	5 182	5 270	5 658	5 504	5 206	5 505	5 560	6 013	...	...	...
WOOL, RAW														
Pakistan	*Rs. per lb*	2.42	2 53	2.62	2 58	2.30	1.82	1.89	1.48	1.46	1.56	1.57	1.51	1.50
Australia	*US$ per 100 lbs*	51.1	60.5	60.4	52.3	57.2	57.0	49.4	48.6	50.9	51.6	50.9	53.9	54.9
New Zealand[d]	*NZ cents per lb.*	35.7	45.9	35.1	34.7	29.4	25.0	22.0	22.7	23.3	22.9	23.7	...	...
COTTON, RAW														
Burma	*K. per long ton*	2 173	2 223	2 417	2 554	2 610	1 983	2 500	2 000	2 111	...	...	...	...
India	*Rs. per 784 lbs*	874.0	919.2	945.9	953.4	1 007.1	1 147.5	1 070.4	1 378.8	1 286.2	1 228.6	1266.0	—	1325.2
Pakistan	*Rs. per maund*	89.9	85.8	85.9	97.9	89.7	77.8	72.9	81.8	89.8	89.5	84.9	81.0	85.6
JUTE, RAW														
India	*Rs. per 400 lbs*	236	232	240	285	364	347	310	331	353	386	428	472	501
Pakistan	*Rs. per maund*	33.64	34.03	39.94	42.28	49.59	42.58	37.95	39.58	39.13	40.83	42.35	47.25	50.00
United Kingdom	*£ per long ton*	111	111	121	130	145	121	111	116	121	124	132	144	154
HEMP, RAW														
Philippines	*Peso per picul*	57.8	59.5	64.8	59.3	51.8	46.3	45.1	43.4	42.6[e]	49.4	48.3	45.9	45.8
PETROLEUM, CRUDE														
Indonesia	*Rp. per m. ton*	629	676	647	602	...	...	...	...	...	...	...	...	...
Iran	*US$ per barrel*	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63
Malaysia	*M$ per m. ton*	56	58	53	52	48	48	48	49	48	48	47	*47*	*47*
PETROLEUM PRODUCTS														
Indonesia	*Rp. per litre*	*1.10*	*1.21*	*1.13*	...	...	...	...	...	...	...	...	...	...

29. PRICE QUOTATIONS OF MAJOR EXPORT COMMODITIES *(Cont'd)*

	Unit	1962	1963	1964	1965	1966	1967	1967		1968				
								III	IV	I	II	III	Oct.	Nov.
GROUNDNUT OIL														
India	*Rs. per quarter*	24.37	23.03	29.24	34.33	53.00	50.55	45.81	41.03	34.05	33.37	41.21	48.83	44.58
PALM OIL														
Singapore . .	*M$ per picul*	35.30	35.10	38.79	44.88	38.21	37.14	37.37	36.66	30.79	29.93	24.16	*21.51*	*21.51*
COCONUT OIL														
Ceylon . . .	*Rs. per long ton*	1 102	1 221	1 308	1 662	1 489	1 314	1 314	1 424	1 927	2 115	2192	2093	2.027
Philippines . .	*Peso per kg*	0.79	0.88	0.96	1.12	0.98	1.09	1.05	1.34	1.54	1.52	...	...	...
Singapore . .	*M$ per picul*	42	48	54	62	49	51	49	58	64	67	53	47	48
RAYON YARN														
Japan[c] . . .	*Yen per kg*	333	379	386	375	362	359	359	357	431	435	431	431	431
COTTON PIECEGOODS														
India	*Rs per metre*	0.66	0.64	0.64	1.14	1.20	1.26	1.28	1.28	1.28	1.29	1.31	1.31	1.31
Japan	*Yen per yd*	50	49	51	48	45	54	55	55	53	50	55	56	59
JUTE MANUFACTURES														
India (bag) . .	*Rs. per 100 bags*	124.6	112.5	127.2	166.7	187.6	158.1	145.6	151.5	154.1	163.9	187.8	201.6	200.0
India (hessian) .	*Rs. per 100 yds*	58.3	50.7	49.0	60.0	68.3[c]	63.6	62.1	57.1	58.9	60.9	...	...	...
TIN														
Indonesia . .	*Rp. per m. ton*	56 444	40 534	75 602	90 568	...	...	...	...	...	...	...	...	...
Singapore . .	*M$ per picul*	447.8	455.4	619.4	702.8	645.2	600.1	601.2	591.2	560.4	558.1	555.2	571.1	605.8
Thailand . .	*Baht per m. ton*	32 245	32 969	44 865	51 310	46 529	42 977	43 019	42 446	40 556	40 494	40 340	41 562	44 061

SPECIFICATIONS:

LAMB: *New Zealand* — Unit value of exports.

BUTTER: *Australia*—London Provision Exchange price for Australian choicest butter, *New Zealand* — Selling price on the London Provision Exchange for first quality.

WHEAT: *Australia*—Export price f.o.b. Wheat Board basic selling price, f.a.q., bulk.

RICE: *Burma* — Average of export contract prices f.o.b., white rice, No. 1 small mills special Ngasein, since 1967 white rice, Ngasein, 42% brokens, parboiled. *Cambodia* — Unit value of exports of rice and rice products. *China, (Taiwan)* — Unit value of export of rice and paddy. Thailand — Wholesale price, Bangkok, white rice, 5% broken.

SUGAR: *China (Taiwan)* — Monthly average price of all kinds of sugar f.o.b. Taiwan ports. *India* — Wholesales prices, 'D' 29 (Ex-Factory). *Indonesia* — Domestic wholesale prices of white sugar, Djakarta. *Philippines* — Wholesale prices of centrifugal sugar, Manila.

TEA: *Ceylon*—Export price at Colombo auctions after deducting the ad-Valorem duty, high grown. *China (Taiwan)*—Unit value of export of black tea. *India*—Export price at Calcutta auctions, leaf, all types.

PEPPER: *Cambodia* — Unit value exports of pepper. India — Wholesale prices, ungarbled (alleppey), Calcutta. *Indonesia* — Wholesale prices, white, Muntok/Kotabaru, Djakarta. *Malaysia: Sarawak*—Unit value of exports of black pepper. *Singapore* — Average wholesale prices, black Lampong.

HIDES: *Pakistan* — Average wholesale prices of unframed arsinicated mixed 10/40 lbs. (buffalo), Karachi; since 1963 wet salted, 80/20 selection (buffalo medium) Karachi.

SKINS: *India* — Wholesale prices of raw goat skin, average quality, Calcutta. *Pakistan* — Average wholesale prices of sheep skin, Papra (dewooled all primes), Karachi.

GROUNDNUTS: *India* — Wholesale prices of groundnuts, machine shelled Cuddalore.

COPRA: *Ceylon* — F.o.b. prices for all grades. *Malaysia: West*—Wholesale prices, sundried, *Indonesia*—Export prices f.o.b. mixed, *Philippines*—Wholesale prices, resecada, Manila.

RUBBER, NATURAL: *Ceylon* — Unit value of exports of rubber sheet; *Indonesia* — Export prices f.o.b. R.S.S. 1, Djakarta. *Singapore* — Buyers midday prices, f.o.b. Singapore No. 1 RSS in bales. Annual prices are the average of daily prices. *Thailand* — Unit value of exports of rubber smoked sheet. Annual figures relate to whole kingdom, monthly and quarterly figures relate to Port of Bangkok only, *United Kingdom* — Domestic/import price c.i.f. London, No. 1 RSS.

TIMBER: *Burma* — Unit value of teak exports. *Malaysia: Sabah* — Unit value of sawn logs and veneer logs, non-coniferous. *Philippines* — Unit value of exports of logs and lumber. *Thailand* — Unit value of exports of teak board. Annual figures relate to whole kingdom, monthly and quarterly figures relate to Port of Bangkok only.

WOOL, RAW: *Pakistan* — Unit value of exports. *Australia* — Average prices of greasy wool at auctions in Sydney. *New Zealand* — All qualities, average auction price of greasy wool.

COTTON, RAW: *Burma* — Unit value of exports. *India* — Wholesale prices, Jarilla M.G.F. of Madhya Pradesh 26/32″ for Jan. 1960 to Oct. 1962; of M.G. Moglai Jarilla Fine 25/32″ for subsequent period. *Pakistan*—Monthly average wholesale prices of 289 F. Punjab R.G. Karachi.

JUTE, RAW: *India* — Domestic price at Calcutta, raw lightnings. *Pakistan* — Average wholesale price of jute raw, white (bottom) at Narayanganj. *United Kingdom* — Domestic/import price c.i.f. Dundee, Pakistan mill lightnings.

HEMP, RAW: *Philippines* — Abaca, manufactured, domestic price at Manila, 1962 to February 1968, abaca unmanufactured.

PETROLEUM, CRUDE: *Indonesia* — Unit value of exports of crude petroleum. *Iran* — Export price, f.o.b. Gach-Saran, ex Kharg Is., 31.0—31.9° API gravity. *Malaysia: Sarawak* — Unit value of exports of crude petroleum.

PETROLEUM PRODUCTS: *Indonesia* — Unit value of exports of motor spirit.

GROUNDNUT OIL: *India* — Wholesale prices, naked, Bombay.

PALM OIL: *Singapore* — Monthly average wholesale produce prices f.o.b. Singapore.

COCONUT OIL: *Ceylon* — F.o.b. prices for all grades. *Philippines* — Wholesale prices, Manila. *Singapore* — F.o.b. Singapore.

RAYON YARN: *Japan* — Export prices f.o.b., viscose, 120 denier, hank, 1st grade.

COTTON PIECEGOODS: *India* — Modern mills grey shirting 923 sheeting 86 cm × 36.6 m, Bombay (on the basis of Rs.0.68 ≐ index 163.5 which is equivalent to Rs.3.14 of the preceeding series); since January 1965, grey long cloth, Century Mills. S. No. 304, 132 cms. × 110 m (L.M.) *Bombay*. Japan — Export prices f.o.b., heavy shirting, s/2003, grey 38″.

JUTE MANUFACTURES: *India* — Export prices of bags, B. Twills 1021 gr— 111.8 × 67.3 cm — 6″ — 8″, f.a.s. Calcutta. India — Domestic/export prices of hessian cloth, 10 1/2 oz., 41″ Calcutta.

TIN: *Indonesia* — Unit value of exports of tin and tin ore. *Singapore* — Prices ex-works. *Thailand*—Wholesale price of tin ore and tin-in-concentrates Bangkok.

a. In new rupiah.
b. Beginning 1963, Rs. per piece.
c. Average of less than 12 months.
d. 12 months ending June of the year stated.
e. Average of January-February.

30. WAGES

For index numbers, 1963=100[a]

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
CEYLON													
Index of wages													
Tea and rubber estate workers[b]	99	100	102	103	103	122	106	113	122	122	122	122	122
Government workers (Colombo)[c]	100	100	100	100	100	106	100	122	131	131	131	131	131
CHINA (Taiwan)													
Index of earnings[d]													
Mining	97	100	107	120	127	139	...	...	...	...	...	...	...
Manufacturing	96	100	102	111	118	136	...	...	...	...	...	...	...
INDIA													
Wages or earnings *(rupees)*													
Cotton mills[e] (Bombay, *monthly*)	135.8	136.1	154.8	167.1	188.6	207.6	212.6	213.0	219.7	219.4	219.2	220.0	218.8
Coal mines[f] (Jahria, *weekly*).	23.8	25.9	26.1	29.4	31.2	35.6	34.6	41.1	46.1	47.6	47.2	47.4	...
KOREA, Republic of													
Wages[g] *(thousand wons)*													
Mining	4.2	4.7	5.6	7.1	8.4	11.0	...	...	11.2	11.9	12.5	13.2	13.3
Manufacturing	2.8	3.2	3.9	4.6	5.4	6.6	...	...	7.6	8.0	8.7	8.9	9.0
MALAYSIA: West													
Earnings *(Malaysian dollar)*													
Rubber tappers *(monthly)*[h] . . .	86	85	91	88	94	97	...	...	...	...	...	...	...
PHILIPPINES													
Index of wages[i] *(Manila and suburbs)*													
Skilled	97	100	102	105	110	115	114	118	121	123	...	...	...
Unskilled	95	100	101	108	116	121	120	125	127	134	...	...	...
VIET-NAM, Republic of													
Earnings[j] (Saigon-Cholon, *piastre*)													
Skilled males	109.2	111.9	120.2	153.4	250.6	347.6	...	...	...	...	...	...	...
Unskilled males	77.9	79.0	84.3	105.0	178.0	234.3	...	...	...	...	...	...	...
AUSTRALIA													
Index of wages[k]													
Adult males *(minimum weekly)* . .	98	100	106	108	115	120	120	120	122	123	124	129	129
JAPAN													
Index of earnings[m]													
Mining	93	100	114	125	139	152	169	187	135	148	196	155	151
Manufacturing	91	100	111	120	134	152	161	194	131	161	184	144	150
Daily money wages of agricultural labour, male *(yen)*	552	653	749	845	913	1 005	1 033	1 071	1 024	1 247	*1 233*	...	...
NEW ZEALAND													
Index of wages[n]													
Adult males *(All industries)* . .	97	100	103	109	112	118	118	119	120	120	126	*126*	*126*

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[a] Original base for index numbers: *Ceylon*, 1939; *China (Taiwan)*, 1952; *Philippines*, 1955; *Australia*, 1954; *Japan*, 1965; *New Zealand*, 1965.

[b] Daily rates of minimum wages (basic wages plus special allowance).

[c] Monthly wage rates for unskilled male workers in government employment.

[d] Daily average of wages and allowances including payment in kind.

[e] Monthly minimum basic wages plus dearness allowance.

[f] Average weekly earnings (basic wages plus dearness allowance and other payments) of underground miners and loaders in coal mines.

[g] Total monthly average earnings of production workers based on the payroll reports collected from representative sample establishments throughout the country engaged in mining and manufacturing.

[h] Average monthly earnings at July.

[i] Daily average wage rates of all classes of workers.

[j] Daily average earnings at December (basic wages plus allocations in kinds and annual bonus) of workers in industrial plants.

[k] Annual figures relate to December.

[m] Average monthly cash earnings per regular worker.

[n] Nominal weekly wage rates. As at the end of the period for quarterly figures.

31. CONSUMER PRICE INDEX NUMBERS

1963 = 100[a]

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
A. All items													
BURMA: Rangoon	102	100	...	...	...	...	...	...	...	...			
CAMBODIA: Phnom-Penh	94	100	102	106	105	105	103	107	109	110	111	114	114
CEYLON: Colombo	98	100	103	103	103	106	106	108	109	110	112	113	115
CHINA (Taiwan)[d]	98	100	100	100	102	105	106	106	‖112	118	123	123	121
FIJI	99	100	103	111	111	112	112	116	116	116	117	*119*	*119*
HONG KONG[b]	98	100	103	‖102	105	111	117	112	113	114	117	114	111
INDIA[c] *(interim index)*	97	100	113	124	137	156	160	161	162	159	161	163	160
INDONESIA: Djakarta	46	100	205	830	9 502	25 612	25 440	33 501	52 770	54 659	60 572	60 593	62 828
IRAN	100	100	104	106	106	107	105	105	109	109	106	106	107
KOREA: Seoul	84	100	128	145	163	181	182	189	196	198	200	206	210
LAOS: Vientiane	52	100	198	223	254	274	282	288	279	287	...	...	291
MALAYSIA: West *(all races)*	97	100	100	100	101	105	106	107	108	106	104	103	104
PAKISTAN:ϕ[e] Karachi	101	100	103	109	115	125	129	127	127	128	128	128	130
Narayanganj	99	100	102	106	107	118	120	119	118	120	125	127	128
PHILIPPINES: Manila	95	100	108	111	118	125	125	131	124	123	126	128	127
SINGAPORE	96	100	100	101	103	105	106	107	107	105	106	105	105
THAILAND: Bangkok-Thonburi	99	100	102	103	107	111	111	112	112	114	113	114	114
VIET-NAM: Saigon	93	100	103	120	194	279	296	304	348	343	366	368	377
WESTERN SAMOA: *(Apia)*	99	100	106	107	111	110	110	110	110	111	113	114	114
AUSTRALIA	100	100	102	106	109	113	114	114	115	116	116	*118*	*118*
JAPAN[f]	93	100	104	112	117	122	121	125	127	128	128	131	131
NEW ZEALAND	98	100	104	107	110	117	118	118	119	121	122	*124*	*124*
B. Food													
BURMA: Rangoon	103	100	...	...	...	...	...	...	...	...			
CAMBODIA: Phnom-Penh	96	100	98	96	96	93	89	94	97	99	100	104	106
CEYLON: Colombo	98	100	103	104	106	109	109	113	115	116	118	118	121
CHINA (Taiwan)[d]	98	100	103	105	110	114	116	116	‖113	122	129	129	124
FIJI	99	100	104	120	112	112	112	118	117	116	118	*121*	*121*
HONG KONG[b]	96	100	103	‖104	108	120	131	120	123	123	130	123	119
INDIA *(interim index)*	96	100	115	127	141	164	170	171	171	167	169	173	167
INDONESIA: Djakarta	47	100	218	883	9 374	26 294	25 913	36 731	62 886	59 881	64 812	63 234	63 933
IRAN	99	100	106	109	108	110	106	106	113	113	107	106	108
KOREA: Seoul	75	100	136	148	159	171	172	176	184	186	188	198	205
LAOS: Vientiane	45	100	183	198	233	247	258	254	252	263	...	...	266
MALAYSIA: West *(all races)*	96	100	100	99	100	106	107	108	109	106	104	102	103
PAKISTAN:ϕ[e] Karachi	102	100	105	115	121	132	138	134	133	135	134	134	135
Narayanganj	99	100	100	107	106	119	121	120	118	121	125	128	128
PHILIPPINES: Manila	91	100	113	115	126	136	136	146	132	129	134	140	138
SINGAPORE	93	100	98	99	101	105	106	108	108	104	105	104	103
THAILAND: Bangkok-Thonburi	100	100	104	105	112	120	120	123	122	124	124	126	125
VIET-NAM: Saigon	92	100	104	129	237	363	393	404	477	466	501	501	503
WESTERN SAMOA: *(Apia)*	98	100	100	100	104	102	101	101	101	103	106	107	107
AUSTRALIA	100	100	104	110	112	117	119	118	119	120	120	*120*	*120*
JAPAN[f]	91	100	103	113	117	123	121	128	132	129	130	134	134
NEW ZEALAND	98	100	106	109	111	119	120	119	120	122	123	124	125

GENERAL NOTES: Figures generally refer to working class expenditures except for the following countries: *Burma*, low and middle income group of households; *China (Taiwan)*, major city consumers' prices; Fiji, Indian and Fijian workmen; *Hong Kong*, clerical and technical workers; *Iran*, salaried employees, artisans and tradesmen; *Japan*, urban population; *Republic of Korea*, salaried workers and wage earners; *Laos*, middle class; *Pakistan*, industrial workers; *Singapore*, low income clerks and labourers; *Thailand*, all families except those with very low or very high income; Western Samoa, total employees at European standard.

a. Original base: Burma, 1958; Cambodia, 1949; Ceylon, 1952; China (Taiwan), 1956; Fiji, February 1960; Hong Kong, Mar 1947; India, 1944; Iran, 21 Mar 1959—20 Mar 1960; Korea, Rep. of, 1960 prior to 1965, 1965 since 1965; Laos, 1948; Pakistan, 1961; Philippines, 1955; Republic of Viet-Nam, 1963; Western Samoa, first quarter 1951, Australia, July 1952—June 1953; Japan, 1965; New Zealand, 1955.

b. Beginning 1965, base September 1963—August 1964 = 100.

c. Excluding house rent.

d. Beginning 1968, base 1962-1964 average = 100.

e. Base: Jul 1962/Jun 1963 = 100.

f. Prior to 1964, 28 cities only.

32. CURRENCY AND BANKING

End of period

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
AFGHANISTAN *(million afghanis, Year ending March 21 of following year; month ending 21st.)*													
Money supply	3 689	4 537	5 301[r]	5 338[r]	5 194[r]	5 529[r]	5 116	5 238	5 529	5 575	5 542	5 592	5 68
Currency: outside banks	3 158	3 884	4 722	4 644	4 624	4 804	4 545	4 614	4 804	4 953	4 987	4 989	5 07
Deposit money	530	654	579	694	570	725	571	624	725	622	555	603	60
Foreign assets *(net)*[a]	868 ‖	2 044	1 801	1 947[r]	1 643	1 366	1 507	1 498	1 366	1 331	1 081	1 095	1 12
Bank of Afghanistan	830 ‖	1 970	1 699	1 823[r]	1 532	1 264	1 388	1 363	1 264	1 171	943	941	95
Commercial banks	37 ‖	74	102	73	111	102	121	135	102	120	138	154	17
Exchange rate													
Official rate	20.00-28.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.0
Free rate	50.18	55.51	72.22	79.84	76.77	79.02	74.84	74.99	79.02	76.55	72.54	70.62	72.5
BURMA *(million kyats)*													
Money supply	1 661	2 372	2 208	2 064	2 221	2 310	2 391	2 310	2 522	2 388[r]	2 372	2 322	2 30
Currency: outside banks	1 173	1 940	1 843	1 700	1 645	1 719	1 789	1 719	1 908	1 787	1 768	1 697	1 68
Deposit money	488	432	365	364	576	591	602	591	614	602	604	625	62
Foreign assets *(net)*	846	987	1 001	921	943	866	861	866	864	931	894	853	85
Union Bank of Burma	763	857	960	853	873	734	774	734	735	729	747	728	72
Commercial banks	83	130	41	68	70	168	87	168	165	238	183	161	17
Yield of long term gov't bonds[b] △	3.00	3.00	...	...	...	...	...	...	...	...	...	...	...
Exchange rate	4.780	4.790	4.802	4.782	4.805	4.800	4.808	4.800	4.800	4.810	4.810	4.810	4.81
CAMBODIA *(million riels)*													
Money supply													
Currency in circulation	2 781	3 702	4 268	4 285	4 838	5 437	5 763	5 437	5 730	5 747	5 825	5 802	...
Demand deposits in commercial banks	1 923	1 166	712	1 133	1 399	1 775	1 648	1 775	1 697	1 697	1 898	...	...
Foreign assets	3 656	3 438	3 814	4 200	4 196	4 111	4 291	4 111	3 756	3 645	3 725	...	...
Banque Nationale du Cambodge	3 395	3 277	3 200	3 866	3 783	3 444	3 695	3 444	3 235	3 130	3 132	3 002	...
Commercial banks	261	161	614	534	414	666	596	666	521	515	593	...	...
Exchange rate: official	35	35	35	35	35	35	35	35	35	35	35	35	3
CEYLON *(million rupees)*													
Money supply	1 333	1 494	1 610	1 703	1 645	1 790	1 682	1 790	1 814	1 840	1 832	1 873	1 87
Currency: outside banks	713	828	853	901	882	980	925	980	1 000	1 047	1 044	1 042	1 05
Deposit money	620	666	757	803	763	810	757	810	814	793	788	831	82
Foreign assets *(net)*[c]	163	110	127	220	— 14	—209	—105	—209	—267	—309	—268	—272	—27
Central Bank of Ceylon *(net)*	83	29	44	164	— 82	—277	—163	—277	—330	—391	—371	—370	—39
Commercial banks	102	105	107	92	112	120	111	120	120	148	166	160	17
Yield of long term gov't bonds[d] △	3.99	4.52	4.53	4.45	4.40	4.35	4.33	4.32	4.30	5.39	5.37	5.37	5.3
Exchange rate *(selling)*	4.768	4.775	4.788	4.788	4.788	5.940	4.788	5.940	5.940	5.940	5.940	5.940	5.94
CHINA (Taiwan) *(billion new Taiwan dollars)*													
Money supply	7.92	10.20	13.43	14.84	17.39	22.10	19.17	22.10	22.17	24.16	23.10	22.94	23.0
Currency: outside banks	3.39	4.13	5.20	5.78	6.58	8.36	7.26	8.36	8.34	8.97	8.67	8.68	9.0
Deposit money	4.53	6.07	8.22	9.07	10.81	13.74	11.91	13.74	13.83	15.19	14.43	14.26	13.9
Foreign assets *(net)*	4.40	8.60	11.22	10.56	13.35	15.67	16.51	15.67	15.35	16.02	15.34	14.76	14.1
Central Bank of China	3.29	5.32	9.44	9.76	10.64	12.57	11.93	12.57	12.76	12.99	12.81	12.58	13.0
Other banks	1.11	3.29	1.79	0.80	2.71	3.10	4.58	3.10	2.59	3.03	2.54	2.18	1.1
Exchange rate (*selling*)	40.03	40.10	40.10	40.10	40.10	40.10	40.10	40.10	40.10	40.10	40.10	40.10	40.1
HONG KONG (*million HK dollars*)													
Money supply	2 706	3 137	3 533	4 161	4 411	4 834	5 005	4 834	4 723	4 789	4 973	5 118	5 06
Currency notes: in circulation	1 042	1 140	1 296	1 629	1 730	2 176	2 351	2 176	1 959	1 910	1 919	1 925	1 93
Deposit money	1 664	1 997	2 237	2 532	2 681	2 658	2 653	2 658	2 763	2 879	3 054	3 193	3 13
INDIA *(billion rupees)*													
Money supply	31.14	35.41	39.06	43.00	46.81	51.02	48.63	51.02	53.52	54.77	52.52	53.17	52.8
Currency: outside banks	22.46	24.76	26.61	28.65	30.08	32.10	30.74	32.10	33.76	34.48	33.54	33.59	33.1
Deposit money	8.68	10.65	12.45	14.35	16.73	18.92	17.89	18.92	19.76	20.29	18.98	19.58	19.6
Foreign assets *(net)*	1.11	1.29	1.40	0.82 ‖	0.49	0.34	0.22	0.34	1.09	1.26	1.39	1.38	1.2
Yield of long term gov't bonds[e] △	4.36	4.68	4.74	5.33	5.54	5.52	5.47	5.52	5.31	5.00	4.99	5.00	5.0
Exchange rate	4.775	4.785	4.795	4.775	7.576	7.547	7.576	7.547	7.564	7.622	7.587	7.582	7.58
INDONESIA *(million new rupiahs)*													
Money supply	135.9	277.8	725.4	2 590.9	22 626	51 719	39 177	51 719	62 601	89 959	98295	102097	10392
Currency: net active	102.8	172.2	447.3	1 903.7	14 874	34 585	27 766	34 585	42 304	58 415	64881	66699	6789
Deposit money	33.0	105.6	278.1	687.2	7 752	17 134	11 411	17 134	20 297	31 544	33414	35398	3602
Foreign assets (*net*)[f]	5.1	3.0	10.0	34.0	66	...	992	...	...	...	...	...	...
Bank Indonesia	3.6	1.0	1.0	22.0	37	...	694	...	...	...	...	...	...
Other banks	1.4	2.0	11.0	12.0	29	...	298	...	...	...	...	...	...
Government bond yield △	4.30	4.08	...	...	...	...	...	...	...	...	...	...	...
Exchange rate													
Principal export rate	45.0-173.1	315.0-349.0	720-995	10	47.50-77.50	...	...	...	...	...	...	...	...
Principal import rate	45.0-270.0	315.0-540.0	2 850-3 325	10-20	85-105	...	...	...	...	...	...	...	...
Other import rate	900.0-1 170.0	1 730	...	42.50	122	...	...	...	...	...	...	...	...
IRAN[r] *(billion rials, Year ending December 20; Month ending 20th.)*													
Money supply	41.51	45.15	50.56	56.95	62.19	71.33	68.24	71.33	77.04	76.08	77.01	79.98	81.5
Currency: outside banks	16.88	19.40	21.48	23.39	24.36	27.41	25.67	27.41	30.77	28.21	28.27	29.74	30.3
Deposit money	24.63	25.75	29.08	33.56	37.83	43.92	42.57	43.92	46.27	47.87	48.74	50.24	51.1
Foreign assets *(net)*	17.37	19.19	15.65	21.53	19.94	21.90	18.69	21.90	23.81	22.46	18.01	17.93	17.9
Central Bank	15.24	17.60	13.79	18.39	19.55	23.12	19.21	23.12	26.30	22.85	19.30	18.45	18.9
Commercial banks	2.12	1.60	1.86	3.14	0.39	1.23	—0.52	—1.23	—2.48	—0.39	—1.30	—0.53	—1.0
Exchange rate	75.75	75.75	75.75	75.75	75.75	75.75	75.75	75.75	75.75	75.75	75.75	75.75	75.7

32. CURRENCY AND BANKING *(Cont'd)*

End of period

	1962	1963	1964	1965	1966	1967	1967		1968				
							III	IV	I	II	III	Oct.	Nov.
KOREA, Republic of *(billion won)*													
Money supply	35.11	37.57	43.38	57.53	70.16	89.97	79.67	89.97	133.27	138.86	143.60	147.28	148.58
Currency: outside banks	18.03	18.28	24.94	31.63	42.90	57.62	52.04	57.62	59.51	61.58	68.34	69.84	79.57
Deposit money	17.08	19.29	18.44	25.90	27.26	32.35	27.63	32.35	85.84	77.28	75.26	77.44	69.01
Foreign assets, Bank of Korea *(net)*	11.10	4.64	17.32	23.50	57.08	65.96	50.63	65.96	74.09	88.17	91.18	93.01	93.43
Exchange rate *(official)*	130	130	255	271	270	274	268	274	274	274	279	281	281
MALAYSIA *(million Malaysian dollars)*													
Money supply	1 249	1 336	1 411	1 502	1 642	1 514	1 558	1 514	1 453	1 431	1 518	1 562	1 592
Currency: outside banks	716	749	797	846	909	772	871	772	733	713	763	769	786
Deposit money	533	588	614	656	733	742	687	742	721	718	755	793	806
Foreign assets *(net)*	1 395	1 380	1 442	1 653	1 686	1 454	1 627	1 454	1 344	1 363	1 392	1 453	1 498
Central Bank	1 160	1 204	1 265	1 375	1 440	1 399	1 503	1 399	1 325	1 416	1 393	1 440	1 523
Commercial banks	235	177	176	279	246	56	124	56	19	−53	−1	13	−25
Exchange rate	3.06	3.06	3.07	3.06	3.08	3.07	3.09	3.07	3.07	3.09	3.09	3.08	3.08
PAKISTAN *(million rupees)*													
Money supply[r]	6 486	7 411	8 702	9 496	10 887	10 597	9 767	10 597	10 709	10 758	10 758	10 893	11 239
Currency: outside banks	4 077	4 479	5 025	5 478	6 098	5 843	5 386	5 843	5 966	5 783	5 841	5 937	6 109
Deposit money	2 379	2 932	3 677	4 018	4 789	4 754	4 381	4 754	4 743	4 975	4 917	4 956	5 130
Foreign assets *(net)*[g]	1 789	1 988	1 730	1 437	1 200	884	944	884[r]	1 027	1 035	1 257	1 337	1 403
State Bank	1 819	1 952	1 651	1 542	1 277	1 086	1 141	1 086	1 190	1 248	1 284	1 290	1 305
Commercial banks	−10	56	97	95	124	−15	−12	−15	26	−37	89	163	216
Yield of long-term gov't bonds[f] △	3.80	3.93	3.90	4.20	4.48	4.47	4.47	4.47	4.47	4.47	...	5.17	5.17
Exchange rate *(selling)*	4.782	4 792	4 805	4 782	4.805	4.774	4.805	4.774	4.788	4.810	4.809	4.806	4.809
PHILIPPINES *(million pesos)*													
Money supply	2 227	2 553	2 493	2 688	2 897	3 345	2 933	3 345	3 250	3 166	3 102	3 064	3 117
Currency: outside banks	1 173	1 363	1 325	1 483	1 543	1 756	1 566	1 756	1 711	1 697	1 680	1 665	1 652
Deposit money	1 654	1 190	1 168	1 205	1 354	1 589	1 367	1 589	1 539	1 469	1 422	1 399	1 465
Foreign assets *(net)*	292	253	−270	−162	6	−175	73	−175	−364	−443	−416	−462	−469
Central Bank	58	62	−160	−204	−263	−489	−263	−489	−609	−583	−628	−660	−745
Other banks	234	191	−110	41	268	314	336	314	244	140	212	198	276
Exchange rate: *(selling)*	3.91	3.91	3.91	3.92	3.91	3.92	3.92	3.92	3.92	3.92	3.92	3.91	3.91
THAILAND *(billion baht)*													
Money supply	11.09	11.88	12.92	14.33	16.65	17.87	17.10	17.87	18.51	17.76	18.40	18.52	18.87
Currency: outside banks	6.57	6.70	7.30	8.18	9.44	9.91	9.62	9.91	10.47	9.77	9.94	9.94	10.24
Deposit money	4.52	5.17	5.62	6.15	7.22	7.96	7.48	7.97	8.04	7.99	8.46	8.58	8.63
Foreign assets *(net)*	9.89	11.24	12.68	14.39	17.69	18.74	9.41	18.74	19.35	19.42	19.24	18.97	19.24
Bank of Thailand	10.47	11.98	13.74	15.38	19.22	20.99	21.69	20.99	21.99	21.86	21.65	21.09	21.15
Commercial banks	−0.58	−0.74	−1.06	−0.99	−1.53	−2.25	−2.28	−2.25	−2.64	−2.44	−2.41	−2.12	−1.91
Government bond yield △	8.00	8.00	8.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Exchange rate *(selling)*	20.84	20.84	20.83	20.83	20.75	20.80	20.75	20.80	20.80	20.80	20.85	20.85	20.85
VIET-NAM, Republic of *(billion piastres)*													
Money supply	19.47	22.30	27.43	47.60	65.45	85.00	76.27	85.00	102.88	116.08	125.65	125.12	127.01
Currency: outside banks	13.15	15.54	19.00	32.84	46.03	62.17	56.69	62.17	78.87	88.85	94.31	93.67	93.41
Deposit money	6.32	6.76	8.43	14.76	19.42	22.83	19.58	22.83	24.01	27.23	31.34	31.45	33.60
Foreign assets *(net)*[f]	4.71	6.36	4.04	7.95‖	23.72	21.04	19.68	21.04	22.76	24.60	28.36	25.00	24.00
Exchange rate													
Trade rate	60.0	60.0	60.0	60.0	118.0	118.0	118.0	118.0	118.0	118.0	118.0	118.0	118.0
Invisible rate	73.5	73.5	73.5	73.5									
AUSTRALIA *(million Australian dollars)*													
Money supply	3 525	3 782	3 990	3 908	4 203	4 495	4 113	4 495	4 507	4 414	4 421	4 526	4 581
Currency: outside banks	852	848	866	828	909	992	913	992	942	964	997	1 000	1 015
Deposit money	2 673	2 934	3 124	3 080	3 294	3 500	3 200	3 503	3 565	3 450	3 424	3 526	3 566
Foreign assets *(net)*	1 213	1 645	1 702	1 382	1 400	1 276	1 319	1 276	1 312	1 341	1 287	1 343	1 413
Government bond yield: short △	4.28	3.81	4.12	4.85	4.92	4.55	4.52	4.65	4.83	4.85	4.83	4.82	4.70
long	4.92	4.58	4.72	5.21	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.02
Exchange rate *(selling)*	.4482	.4493	.4501	.4482	.9007	.8947	.9025	.9007	.8977	.9042	.9017	.9009	.9033
JAPAN *(billion yen)*													
Money supply	5 725	7 702	8 704	10 287	11 716	13 369	11 648	13 369	12 946	13 442	13 256	13 314	13 753
Currency: outside banks	1 511	1 730	1 987	2 264	2 589	3 114	2 376	3 114	3 289	2 964	2 780	2 869	2 952
Deposit money	4 214	5 972	6 717	8 023	9 127	10 255	9 272	10 255	9 657	10 478	10 476	10 445	10 801
Foreign assets *(net)*	375	272	299	447	570	356	394	356	266	347	544	...	...
Central Bank	662	676	727	774	762	731	737	731	715	720	856	927	1 005
Commercial banks	−288	−404	−427	−325	−187	−370	−339	−370	−444	−368	−308	...	...
Yield of long term gov't bonds △	6.43	6.43	6.43	6.43	6.80	6.91[r]	6.94[r]	6.97[r]	7.01[r]	7.03	7.05	7.05	7.05
Exchange rate	358.2	362.0	358.3	360.9	362.5	361.9	361.7	361.9	362.0	361.5	358.8	358.1	357.8
NEW ZEALAND *(million New Zealand dollars)*													
Money supply	730	751	800	788[r]	798[r]	84[r]	686[r]	784[r]	709[r]	729[r]	713	723	728
Currency: outside banks	162	154	158	161	160	153	126	153	132	131	137	139	140
Deposit money	568	597	642	627	638	631	560	631	577	598	576	584	588
Foreign assets *(net)*	147	144	151	103	45‖	−36	6‖	−36	77	118	82	81	70
Reserve Bank	123	103	119	47	22	−62	−20	−62	19	58	37	37	23
Trading banks	24	41	32	33	23	26	26	26	57	60	46	44	47
Government bond yield △	5.25	5.15	5.06	5.10	5.28	5.51	5.53	5.55	5.53	5.54	5.51	5.53	5.54
Exchange rate *(selling)*	.3615	.3623	.3631	.3615	.3631	.8956	.7280	.8956	.8986	.9047	.9242	.9015	.9038

General Note: Exchange rates are shown in unit of national currency per US dollar. The Indonesian new rupiah equivalent to 1 000 old rupiah, was introduced on 14 December 1965. The Australian and New Zealand "dollar" equal to one half of former Australian and New Zealand pound, was established 14 February 1966 and 10 July 1967 respectively.

△ Monthly averages or calendar months. Per cent per annum.

a. Foreign asset and liabilities were revalued in April 21, 1963. In March 1965 revaluation profits on gold and silver holdings (1,287 million afghanis) were transferred to the government.

b. 5 year treasury bonds.

c. Deduct foreign liabilities of Central Bank and of Deposit Money Banks.

d. Yield to maturity of the 4 1/2 per cent loan of 1985-1989, "H" series, before March 1965 the "C" series, and before April 1964 the 3 per cent National Development Loan of 1965-1970.

e. Running yield of 3% consols 1986 to earliest redemption date.

f. Foreign assets and liabilities were revalued in October 1959 and in August 1963 at 45 rupiah and 315 rupiah per US dollar respectively.

g. Deduct foreign liabilities of State Bank.

h. Yield to maturity of 4 1/2 per cent bond maturing in 1980. From 1963 to August 1965 on the 4 per cent bonds maturing in 1974. Before 1963 the 3 per cent bond of 1968 is quoted.

i. National Bank and Commercial banks foreign assets minus their foreign liabilities and use of Fund Credit. It revalued in June 1966 at 118 piastres per US dollar.

33. BALANCE OF PAYMENTS

	1965	1966	1967	First half	
				1967	1968
BURMA *(million kyats)*					
Goods and Services	−87	−99	−151	−100	−176
Trade Balance cif	142	72	−45	−52	−124
Investment Income	—	2	3	3	2
Central Gov't., n.i.e.	−117	−111	−70	−34	−36
Other	−112	−62	−39	−17	−18
Transfers: Private	2	3	4	2	3
Central Gov't	35	103	21	18	20
Capital n.i.e.:					
Private	—	—	—	—	—
Central Government	−50	41	52	8	−10
Comm. Banks: Assets	−27	—	−98	−17	70
Liabilities	−5	2	14	−3	102
Monetary Authorities	128	−36	174	73	5
Union Bank Monetary Gold	—	—	—	—	—
IMF Accounts	—	—	71	—	−9
Union Bank Foreign Exchange (Net)	127	−40	103	74	14
Government Assets	1	4	—	−1	—
Net Errors and Omissions	4	−14	−16	19	−14
CEYLON *(million US dollars)*					
Goods and Services	3.9	−68.8	−63.7	−33.8	−40.9
Trade Balance cif	−3.1	−72.7	−69.3	−33.1	−41.9
Investment Income	−3.4	−7.8	−11.1	−5.8	−4.6
Other	10.4	11.7	16.7	5.1	5.6
Transfers: Private	−4.8	−5.4	−5.2	−2.0	−1.9
Central Gov't	13.4	13.2	9.5	1.9	1.8
Capital n.i.e.:					
Private	−4.6	−7.1	.2	1.5	−.2
Central Government	21.8	15.8	26.7	19.2	20.4
Comm. Banks: Assets	3.3	−4.4	−1.1	−2.9	−4.7
Liabilities	1.7	1.7	2.5	.6	.7
Monetary Authorities	−33.6	53.1	29.6	16.3	28.1
IMF Accounts	11.7	15.7	22.8	22.4	27.0
Other Central Bank Assets	−30.6	29.2	−21.2	−3.7	5.1
Other Central Bank Liabilities	−4.4	6.7	23.6	.7	−12.4
Government Payments Agreements	−10.3	1.5	4.4	−3.1	8.4
Net Errors and Omissions	−1.1	1.9	1.5	−.8	−3.3
CHINA (Taiwan), *(million US dollars)*					
Goods and Services	−96	−26	−71	2	55
Trade Balance cif	−72	−42	−62	5	54
Central Gov't., n.i.e.	2	32	20	8	12
Other	−26	−16	−29	−11	−11
Transfers: Private	15	18	26	11	6
Central Gov't	18	6	−2	−1	−2
Capital n.i.e.:					
Private	18	82	95	24	−26
Central Government	33	−10	3	—	25
Comm. Banks: Assets	22	−47	−54	−48	−19
Liabilites	3	−1	43	25	21
Monetary Authorities	−8	−22	−48	−44	−11
Central Bank Assets	−8	−22	−48	−44	−11
Central Bank Liabilities	—	—	—	—	—
Other Assets and Liabilities	—	—	—	—	—
Net Errors and Omissions	−5	—	8	31	−49
INDIA *(million US dollars)*					
Goods and Services	−1 418	−1 147	−1 305	−753	...
Trade Balance fob/cif	−1 254	−1 069	−1 134	−675	...
Investment Income	−251	−254	−276	−139	...
Central Gov't, n.i.e.	86	150	83	41	...
Other	1	26	22	20	...
Transfers: Private	83	178	139	76	...
Central Gov't	75	127	45	57	...
Capital n.i.e.:					
Private	−7	14	4	—	...
Central Government	1 057	837	1 199	626	...
Comm. Banks: Assets	17	−57	36	71	...
Liabilities	−8	−11	−7		
Monetary Authorities	103	11	14	−34	...
Monetary Gold	−34	38	—	—	...
IMF Accounts	133	75	95	−2	...
Other Assets	18	−96	−85	−32	...
Other Liabilities	−14	−6	4		
Net Errors and Omissions	98	48	−125	−43	...

	1965	1966	1967	First half	
				1967	1968
INDONESIA *(million US dollars)*					
Goods and Services	−247	−123	−283	−124	...
Trade Balance fob	24	118	−35	1	...
Transportation	−41	−69	−95	−49	...
Investment Income	−94	−47	−64	−29	...
Government n.i.e.	−62	−35	−23	−14	...
Other	−74	−90	−66	−33	...
Transfer : Private	—	—	—	—	...
Central Gov't	25	15	28	3	...
Capital : Non-monetary Sectors	246	106	267	115	...
Commercial Banks: Assets	−9	29	12	3	...
Liabilities	—	—	—	—	...
Monetary Sector	−30	−18	7	11	...
Central Institutions : Assets	−52	−24	27	12	...
Central Institutions : Liabilities	22	6	−20	−1	...
Net Errors and Omissions	15	−9	−31	−8	...
IRAN *(million US dollars)*					
Goods and Services	−107	−131	−137	...	...
Trade Balance cif: Oil Sector	1 003	1 148	1 374	...	...
Trade Balance cif: Other	−623	−720	−893	...	...
Investment Income	−397	−448	−553	...	...
Other	−90	−111	−65	...	...
Transfers: Private	3	3	3	...	...
Central Gov't	8	8	7	...	...
Capital n.i.e.:					
Private	239	86	47	...	...
Central Government	2	84	122	...	...
Commercial Banks: Assets	−16	13	16	...	...
Liabilities	−1	−3	−6	...	...
Monetary Authorities	−62	−9	−32	...	...
Monetary Gold	−5	15	−14	...	...
IMF Accounts	−4	−14	−14	...	...
Other Assets	−53	−10	−27	...	...
Net Errors and Omissions	−66	−51	−18	...	...
KOREA, REPUBLIC OF *(million US dollars)*					
Goods and Services	−194	−323	−471	−141	−316
Trade Balance fob	−240	−429	−574	−214	−398
Central Gov't., n.i.e.	75	123	189	85	117
Other	−29	−17	−32	−12	−35
Transfers: Private	69	98	91	45	47
Central Gov't	134	122	134	51	44
Capital n.i.e.:					
Private	17	184	279	112	224
Central Government	−19	37	13	11	7
Comm. Banks: Assets	−4	−3	−55	−81	56
Liabilities	3	−2	1	4	41
Monetary Authorities	−4	−117	−57	20	78
IMF Accounts	—	−1	—	—	−7
Bank of Korea Assets	−9	−97	−57	20	−73
Committed Assets	—	—	—	—	—
Other liabilities	5	−19	—	—	2
Net Errors and Omissions	2	—	11	−21	−25
MALAYSIA *(million Malayan dollars)*					
Goods and Services	125	122	91	...	...
Trade Balance fob	521	548	528	...	...
Freight & Merchandise Insurance	−162	−165	−170	...	...
Investment Income	−309	−292	−257	...	...
Central Gov't., n.i.e.	227	185	134	...	...
Other	−152	−154	−144	...	...
Transfers: Private	−195	−196	−185	...	...
Central Gov't	123	104	87	...	...
Capital n.i.e.:					
Private	225	197	204	...	...
Central Government	185	−40	−127	...	...
Comm. Banks: Assets	−16	−6	256	...	...
Liabilities	−86	39	−65	...	...
Monetary Authorities	−36	134	52	...	...
Monetary Gold	16	4	−94	...	...
IMF Accounts	−20	−20	−35	...	...
Central Gov't Assets	82	249	182		
State Gov'ts Assets	−5	−47			
Currency Board	−80	−90	2	...	...
Other Central Bank Assets	−55	41			
Other Central Bank Liabilities	26	−3	−3	...	...
Net Errors and Omissions	−325	−354	−313	...	...

33. BALANCE OF PAYMENTS *(Cont'd)*

	1965	1966	1967	First half	
				1967	1968
PAKISTAN *(million rupees)*					
Goods and Services	−3 073	−2 116	−3 385	−1 600	−1 345
Trade Balance fob	−2 442	−1 479	−2 568	−1 175	−911
Central Gov't., n.i.e.	83	72	−99	−64	−43
Other	−714	−709	−718	−361	−391
Transfers: Private	274	193	197	82	151
Central Gov't	1 166	785	988	376	503
Capital n.i.e.:					
Private	339	304	296	153	95
Central Government	1 348	822	1 629	931	756
Comm. Banks: Assets	146	25	172	2	9
Liabilities	−44	−47	78		
Monetary Authorities	320	134	153	130	−160
Monetary Gold	−1	—	—	—	−2
IMF Accounts	255	—	−9	−9	−11
Other Assets (Net)	66	134	162	139	−147
Net Errors and Omissions	−476	−100	−128	−74	−9
PHILIPPINES *(million US dollars)*					
Goods and Services	38	65	−220	−88	−192
Exports—Imports fob	−39	−25	−250	−111	−120
Nonmonetary Gold	15	16	17	8	9
Investment Income	−31	−37	−76	−35	−54
Central Gov't, n.i.e.	60	74	93	41	44
Other	33	37	−4	9	−71
Transfers: Private	73	52	114	49	48
Central Gov't	26	44	72	27	23
Capital n.i.e.:					
Private	−140	−29	10	−54	37
Central Government	49	−23	−30	−11	—
Comm. Banks: Assets	−17	−29	−25	−2	24
Liabilities	30	−53	−31	−11	−7
Monetary Authorities	15	29	131	60	21
IMF Accounts	−14	−23	28	—	37
Other Central Bank Assets	−65	22	36	24	−8
Other Central Bank Liabilities	82	18	106	36	−8
Committed Assets	12	12	−39	—	—
Net Errors and Omissions	−74	−56	−21	30	46
THAILAND *(million US dollars)*					
Goods and Services	−54	−18	−106	−17	−84
Export—Imports (cif)	−117	−209	−377	−140	−226
Nonmonetary Gold	−6	−6	−7	−3	−6
Central Gov't, n.i.e.	63	162	215	110	119
Other	6	35	63	16	29
Transfers: Private	7	10	9	4	5
Central Gov't	31	37	51	18	25
Capital n.i.e.:					
Private	54	52	74	39	36
Central Government	13	10	21	16	14
Comm. Banks: Assets	−17	−12	16	13	1
Liabilities	14	38	19	19	8
Monetary Authorities	−80	−180	−96	−96	−43
IMF Accounts	−8	−5	—	—	—
Other Assets	−71	−179	−96	−96	−43
Other Liabilities	−1	4	—	—	—
Net Errors and Omissions	32	63	12	4	38
VIET-NAM, REPUBLIC OF *(million US dollars)*					
Goods and Services	−240	−275	−343	...	—
Trade Balance cif	−330	−631	−716	...	...
Investment Income	−11	—	−3	...	...
Central Gov't n.i.e.	41	306	382	...	...
Other	60	50	−6	...	...
Transfers: Private	19	11	8	...	...
Central Gov't	255	439	420	...	...
Capital n.i.e.:					
Private	−3	−2	1	...	...
Central Government	7	−39	−58	...	...
Commercial Banks:					
Assets	−15	−14	16	...	...
Liabilities	15	7	−16	...	...
Monetary Authorities	−36	−128	−28	...	...
Monetary Gold	—	−6	2	...	...
IMF Accounts	—	—	−4	...	...
Other National Bank Net Assets	−36	−122	−46	...	...
Net Errors and Omissions	−2	1	—	...	...
AUSTRALIA *(million Australian dollars)*					
Goods, Services, and Transfers	−1 000	−629	−836	−338	−629
Exports—Imports (fob)	−327	66	22	59	−181
Nonmonetary Gold	25	26	21	11	12
Transportation & Merchandise Insurance	−223	−234	−250	−114	−138
Travel	−63	−63	−63	−42	−31
Investment Income	−263	−257	−350	−146	−202
Central Gov't. n.i.e.	10	13	−11	−2	−11
Other Services and Transfers	−159	−180	−205	−98	−78
Capital n.i.e.:					
Private	−606	812	676	257	657
Central Government	60	−151	127	54	10
Monetary Authorities and Banks	334	−32	33	27	−38
Monetary Gold	−19	21	−7	−5	−23
IMF Accounts	−31	−31	−31	−26	−66
Other Assets (net)	384	−22	71	58	51
JAPAN *(million US dollars)*					
Goods and Services	1 017	1 387	−14	−236	—
Trade Balance fob	1 901	2 273	1 158	322	663
Transportation	−524	−609	−815	−365	−450
Central Gov't, n.i.e.	309	442	475	220	257
Other Services	−668	−719	−832	−413	−470
Transfers: Private	8	−7	−24	−26	−27
Central Gov't	−94	−128	−154	−86	−77
Capital n.i.e.:	−476	−873	−305	−47	−35
Comm. Banks: Assets	−372	−113	−477	−96	−183
Liabilities	88	−276	987	582	176
Monetary Authorities	−120	54	61	4	33
Monetary Gold	−24	−1	−9	−1	−17
IMF Accounts	−35	−66	82	59	−33
Foreign Exchange	−74	100	16	−38	78
Other (net)	13	21	−28	−16	5
Net Errors and Omissions	−51	−44	−74	−95	113
NEW ZEALAND *(million US dollars)*					
Goods and Services	−128.2	−115.4	−136.4	−53.6	112.6
Trade Balance fob	118.8	165.0	133.2	88.8	205.3
Transportation & Merchandise Insurance	−84.9	−87.1	−76.7	−37.9	−31.8
Travel	−37.6	−41.8	−37.5	−2.7	−10.9
Investment Income	−47.0	−56.1	−69.2	−34.3	−25.7
Other	−77.5	−95.4	−86.2	−47.5	−24.3
Transfers: Private	−6.6	−5.5	−8.3	−2.6	1.7
Central Gov't	1.4	.5	.9	.3	2.6
Capital n.i.e.:					
Private	−5.9	.2	20.8	−2.5	9.2
Central Government	43.4	37.9	66.8	40.1	41.4
Comm. Banks: Assets	3.9	12.5	2.0	−4.3	6.6
Liabilities	−11.1	2.4	−4.7	2.1	−44.4
Monetary Authorities	99.2	63.1	55.9	24.3	−134.1
Monetary Gold	—	—	—	—	—
IMF Accounts	62.0	—	89.2	29.2	−70.0
Foreign Assets	37.2	1.8	−55.4	−26.7	−33.7
Liabilities	—	61.3	22.1	21.8	−30.4
Net Errors and Omissions	−1.1	4.3	3.0	−3.8	4.4

Note: Minus sign indicates debit.

34. GOVERNMENT REVENUE AND EXPENDITURE

	Type of account	Total revenue	Total expenditure	Balance
AFGHANISTAN *(million afghanis)*				
1964/65	A	3 230	7 406	−4 176
1965/66	A	4 146	10 430	−6 284
1966/67	A	4 179	9 317	−5 138
1967/68	E	4 431	8 009	−3 578
1968/69	E	4 567	8 782	−4 215
1969/70	E	5 085	9 967	−4 882
BRUNEI *(million Malaysian dollars)*				
1964	A	129.4	75.5	+53.9
1965	A	120.8	116.6	+4.2
1966	A	122.4	150.8	−28.4
1967	DE	142.2	154.1	−11.9
BURMA *(million kyats)*				
1964/65	A	1 954	1 427	+527
1965/66	A	1 825	1 410	+415
1966/67	A	1 435	1 482	−47
1967/68	RE	1 484	1 520	−36
1968/69	DE	1 371	1 571	−200
CAMBODIA *(million riels)*				
1964	E	4 475	6 245	−1 770
1965	E	4 130	6 100	−1 970
1966	E	4 931	7 000	−2 069
1967	E	5 440	6 686	−1 246
CEYLON *(million rupees)*				
1964/65	A	1 570	2 000	−430
1965/66	A	1 574	2 140	−566
1966/67	A	1 687	2 294	−607
1967/68	DE	1 861	2 576	−715
1968/69	DE	2 037	2 927	−890
CHINA (Taiwan) *(million new Taiwan dollars)*				
1964/65	A	10 028	11 688	−1 660
1965/66	A	13 158	15 010	−1 852
1966/67	A	13 465	15 157	−1 692
1967/68	A	17 362	20 034	−2 672
1968/69	DE	15 245	18 606	−3 361
1969/70	DE	21.030	24 271	−3 241
HONG KONG *(million Hong Kong dollars)*				
1964/65	A	1 457	1 450	+7
1965/66	A	1 571	1 750	−179
1966/67	A	1 745	1 764	−19
1967/68	A	1 826	1 744	+82
1968/69	RE	1 969	1 890	+79
1969/70	DE	2 063	2 064	−1
INDIA *(million rupees)*				
Central Government				
1964/65	A	24.066	35.781	−11.715
1965/66	A	28 536	40 897	−12 361
1966/67	A	30 559	47 467	−16 908
1967/68	RE	31 708	47 554	−15 846
1968/69	DE	34 601	48 409	−13 808
States				
1964/65	A	16 350	22 732	−6 382
1965/66	A	18 503	27 213	−8 710
1966/67	A	21 352	29 468	−8 116
1967/68	RE	24 421	31 977	−7 556
1968/69	DE	26 046	32 078	−6 032
INDONESIA *(million new rupiah)*				
1964	PR	282.1	681.3	−399.2
1965	PR	923.4	2 526.3	−1602.9
1966	PR	13 140	28 610	−15 470
1967	PR	58 100	87 500	−29 400
1968	RE	149 700	185 200	−35 500
IRAN *(million rials)*				
1964/65	PR	69 119	74 725	−5 606
1965/66	PR	95 200	99 900	−4 700
1966/67	PR	97.300	108.800	−11 500
1967/68	PR	108 400	137 100	−28 700
1968/69	E	128 000	181 900	−53 900
KOREA, Republic of *(billion won)*				
1964	A	58.12	87.79	−29.67
1965	A	78.23	106.11	−27.88
1966	A	121.85	166.37	−44.52
1967	RE	168.36	228.79	−60.43
1968	DE	222.16	260.96	−38.80
LAOS *(million kip)*				
1964/65	DE	2 403	3 155	−752
1965/66	DE	3 649	14 451	−10 802
1966/67	DE	5 929	15 283	−9 354
1967/68	DE	7 220	15 933	−8 713
1968/69	DE	7 234	15 808	−8 574
MALAYSIA *(million Malaysian dollars)*				
1964	A	1 394	1 831	−437
1965	A	1 533	2 090	−557
1966	A	1 605	2 210	−605
1967	RE	1 773	2 448	−675
1968	DE	1 829	2 592	−763
NEPAL *(million rupees)*				
1964/65	A	1 92.3	349.9	−157.6
1965/66	RE	2 44.1	441.5	−197.4
1966/67	DE	3 45.4	546.2	−200.8
PAKISTAN *(million rupees)*				
Central Government				
1965/66	A	3 668	6 417	−2 749
1966/67	A	4 492	6 910	−2 418
1967/68	RE	4 946	7 752	−2 806
1968/69	DE	5 698	8 823	−3 125
States				
1964/65	A	2 891	4 152	−1 261
1965/66	A	2 850	3 867	−1 017
1966/67	A	2 874	5 224	−2 350
1967/68	RE	3 339	5 790	−2 451
1968/69	DE	3 719	7 217	−3 498
PHILIPPINES *(million pesos)*				
1964/65	A	2 092	2 259	−167
1965/66	A	2 063	2 357	−294
1966/67	A	2 625	2 762	−137
1967/68	RE	2 903	2 942	−39
1968/69	DE	3 374	3 370	+4
SINGAPORE *(million Singapore dollars)*				
1964	A	432.9	463.1	−30.2
1965	A	5 075	534.5	−27.0
1966	A	562.9	678.2	−115.3
1967	A	630.2	683.4	−53.2
1968	DE	618.0	864.5	−246.5
1969/70	DE	929.2	1273.4	−344.2
THAILAND *(million baht)*				
1964/65	A	11.066	11.915	−849
1965/66	A	12 513	13 558	−1 045
1966/67	A	14 592	16 880	−2 288
1967/68	DE	16 080	21 130	−5 050
1968/69	DE	17 529	23 324	−5 795
VIET-NAM, Republic of *(million piastres)*				
1964		13 041A	37 110RE	−24 069
1965		16 284A	51 270RE	−34 986
1966		27 667A	64 500RE	−34 833
1967		45 672A	83 000RE	−37 328
1968	DE	43 587	95 000	−51 413
AUSTRALIA *(million Australian dollars)*				
Commonwealth Government				
1964/65	A	4 080	3 894	+186
1965/66	A	4 500	4 395	+105
1966/67	A	4 762	4 916	−154
1967/68	A	5 268	5 491	−233
State and local governments				
1964/65	A	1 371	3 126	−1 755
1965/66	A	1 478	3 469	−1 991
1966/67	A	1 625	3 708	−2 083
1967/68	A	1 789	3 988	−2 199
JAPAN *(billion yen)*				
1964/65	A	4 063	3 881	+182
1965/66	A	4 465	4 465	—
1966/67	A	5 044	5 259	−215
1967/68	RE	5 970	6 387	−417
1968/69	DE	6 875	7 166	+291
NEW ZEALAND *(million New Zealand dollars)*				
1963/64	A	8 443	995.0	−150.7
1964/65	A	955.1	1 084.3	−129.2
1965/66	A	1 040.4	1 174.5	−134.1
1966/67	A	1 108.9	1 284.9	−176.0
1967/68	E	1 155.5	1 316.7	−161.2
1968/69	E	1 171.7	1367.0	−195.3

35. MAJOR COMPONENTS OF TAX REVENUE

	Type of account	Total revenue	Tax revenue	Tax on income and wealth	Land tax	Customs duties			Transaction and consumption taxes	Licences, stamp duties, registration fees, etc.	Other tax revenue
						Total	Import duties	Export duties			
AFGHANISTAN *(million afghanis)*											
1964/65	A	3 230	2 644	404	44	1 175	1 095	80	899	72	50
1965/66	A	4 146	3 473	493	82	1 268	1 129	139	1 516	69	45
1966/67	A	4 179	3 588	511	90	1 618	1 451	167	1 237	81	51
1967/68	E	4 431	3 729	480	90	1 650	1 476	174	1 349	60	100
1968/69	E	4 567	3 804	486	110	1 663	1 483	180	1 367	66	112
1969/70	E	5 085	4 239	573	150	1 785	1 588	197	1 535	72	124
BRUNEI *(million Malaysian dollars)*											
1964	A	129.4	55.0	50.1	—	4.6	4.5	0.1	—	0.3	—
1965	A	120.8	42.2	36.0	—	5.5	5.4	0.1	—	0.5	0.1
1966	A	122.4	38.4	31.2	—	6.6	6.5	0.1	—	0.6	—
1967	DE	142.2	50.1	42.8	—	6.7	6.6	0.1	—	0.6	—
BURMA *(million kyats)*											
1964/65	A	1 954	1 799	1 011	35	405	...	...	235	84	29
1965/66	A	1 825	1 637	1 027	35	226	...	...	303	32	14
1966/67	A	1 435	1 278	743	32	209	...	...	264	14	16
1967/68	RE	1 484	1 334	563	41	261	...	...	434	20	15
1968/69	DE	1 371	1 212	528	41	291	...	...	316	20	16
CAMBODIA *(million riels)*											
1964	E	4 475	3 428	499	12	996	886	110	1 284	179	458
1965	E	4 130	3 574	503	12	932	831	101	1 393	180	554
1966	E	4 931	...	...	...	...	...	...	...	...	...
1967	E	5 440	...	...	...	...	...	...	...	...	...
CEYLON *(million rupees)*											
1964/65	A	1 570	1 471	412	2	688	436	252	220	32	117
1965/66	A	1 574	1 437	345	1	697	477	220	212	31	151
1966/67	A	1 687	1 541	374	1	727	544	183	271	25	143
1967/68	DE	1 776	1 727	381	—	778	514	264	318	23	227
1968/69	DE	2 037	1 885	340	—	651	409	242	351	22	521
HONG KONG *(million Hong Kong dollars)*											
1964/65	A	1 457	977	510	—	228	228	—	57	130	52
1965/66	A	1 571	1 065	615	—	233	233	—	58	124	35
1966/67	A	1 745	1 225	713	—	288	288	—	61	127	36
1967/68	A	1 826	1 314	788	—	293	293	—	61	139	33
1968/69	RE	1 969	1 380	838	—	306	306	—	63	138	35
1969/70	DE	2 063	1 440	896	—	317	317	—	65	128	34
INDIA *(million rupees)*											
Central Government											
1964/65	A	24 066	15 628	4 686	2	3 975	3 951	24	6 742	50	173
1965/66	A	28 536	17 847	4 678	3	5 390	5 369	21	7 520	54	181
1966/67	A	30 559	19 340	5 144	2	5 854	4 625	1 229	8 029	59	252
1967/68	RE	31 708	19 457	4 585	1	5 227	3 920	1 307	9 289	58	297
1968/69	DE	34 601	20 868	4 967	2	5 393	4 332	1 061	10 117	59	330
States											
1964/65	A	16 350	10 224	1 448	1 198	—	—	—	5 887	1 278	413
1965/66	A	18 503	11 178	1 446	1 119	—	—	—	6 748	1 383	482
1966/67	A	21 352	13 057	1 568	896	—	—	—	8 573	1 505	515
1967/68	RE	24 421	14 594	1 897	992	—	—	—	9 455	1 658	592
1968/69	DE	26 046	15 884	1 719	1 087	—	—	—	10 557	1 768	753
INDONESIA *(million new rupiah)*											
1964	PR	282.1	246.3	71.6	—	33.9	33.9	—	67.1	...	73.7
1965	PR	923.4	873.1	306.4	—	51.7	51.7	—	260.7	...	254.3
1966	PR	13 140	10 210	2 260	—	1 330	1 330	—	3 940	...	2 680
1967	PR	58 100	56 700	14 700	—	27 500	16 900	10 600	12 700	1 800	—
1968	RE	149 700	143 900	52 000	—	50 700	37 900	12 800	37 700	3 500	—
IRAN *(million rials)*											
1964/65	PR	69 119	63 847	5 562	...	12 141	12 141	—	...	...	46 144
1965/66	PR	95 200	85 000	8 100	...	14 400	14 400	—	...	...	62 500
1966/67	PR	79 300	83 600	7 900	...	16 400	16 400	—	...	...	59 300
1967/68	PR	108 400	92 200	8 600	...	17 600	17 600	—	...	...	66 000
1968/69	E	128 000	111 900	11 400	...	21 700	21 700	—	...	...	78 800
KOREA, Republic of *(billion won)*											
1964	A	58.12	41.95	16.08	—	8.20	8.20	—	10.79	1 77	5.11
1965	A	78.23	58.23	21.93	—	12.54	12.54	—	17.72	2.09	4.15
1966	A	121.85	95.15	39.21	—	17.59	17.59	—	26.37	3.38	8.60
1967	RE	168.36	128.71	54.51	—	22.15	22.15	—	34.95	4.29	12.81
1968	DE	222.16	172.75	69.21	—	31.18	31.18	—	50.35	5.05	16.96
LAOS *(million kip)*											
1964/65	DE	2 403	2 248	163	19	1 497	...	...	449	40	80
1965/66	DE	3 649	3 380	258	47	2 108	...	...	720	43	204
1966/67	DE	5 929	5 690	424	16	4 091	...	...	986	62	111
1967/68	DE	7 220	6 874	460	25	4 832	...	...	1 338	72	147
1968/69	DE	7 234	6 854	700	30	4 164	...	...	1 235	119	606

35. MAJOR COMPONENTS OF TAX REVENUE *(Cont'd)*

	Type of account	Total revenue	Tax revenue	Tax on income and wealth	Land tax	Customs duties			Transaction and consumption taxes	Licences, stamp duties, registration fees, etc.	Other tax revenue
						Total	Import duties	Export duties			
MALAYSIA *(million Malaysian dollars)*											
1964	A	1 394	1 049	270	—	567	367	200	90	108	14
1965	A	1 533	1 219	328	—	628	387	241	114	133	16
1966	A	1 605	1 355	391	—	604	381	223	183	159	18
1967	RE	1 773	1 505	475	—	664	467	197	173	172	21
1968	DE	1 829	1 573	502	—	694	505	189	174	181	22
NEPAL *(million rupees)*											
1964/65	A	192.3	151.3	4.8	45.5	30.8	20.8	10.0	62.7	2.7	4.8
1965/66	RE	244.1	162.2	7.0	46.0	43.0	28.0	15.0	61.9	2.8	1.5
1966/67	DE	345.4	…	…	…	…	…	…	…	…	…
PAKISTAN *(million rupees)*											
Central Government											
1964/65	A	3 335	2 356	347	—	1 030	…	…	966	—	13
1965/66	A	3 668	2 506	273	—	1 051	…	…	1 168	—	14
1966/67	A	4 492	3 222	327	—	1 249	…	…	1 633	—	13
1967/68	RE	4 946	3 554	298	—	1 265	…	…	1 977	—	14
1968/69	DE	5 698	4 138	326	—	1 428	…	…	2 368	—	15
States											
1964/65	A	2 891	1 542	356	273	48	…	…	648	172	45
1965/66	A	2 850	1 773	507	295	25	…	…	696	205	45
1966/67	A	2 874	1 891	492	298	25	…	…	783	235	58
1967/68	RE	3 339	1 929	573	337	15	…	…	696	242	66
1968/69	DE	3 719	2 091	630	358	—	…	…	755	272	76
PHILIPPINES *(million pesos)*											
1964/65	A	2 092	1 752	477	—	397	397	—	361	464	53
1965/66	A	2 063	1 774	487	—	387	387	—	369	483	48
1966/67	A	2 625	2 202	565	—	505	505	—	423	629	80
1967/68	RE	2 903	2 461	682	—	544	544	—	448	696	91
1968/69	DE	3 374	2 928	817	—	598	598	—	542	865	106
SINGAPORE *(million Singapore dollars)*											
1964	A	432.9	335.6	177.2	—	119.4	119.4	—	36.5	2.4	0.1
1965	A	507.5	394.2	191.3	—	144.5	144.5	—	43.3	2.5	12.6
1966	A	562.9	437.9	227.7	—	164.8	164.8	—	42.1	1.9	1.4
1967	A	630.2	465.0	253.5	—	133.5	133.5	—	73.5	2.5	2.0
1968	DE	618.0	465.3	246.7	—	129.3	129.3	—	85.8	2.7	0.8
1969/70	DE	929.2	705.3	378.9	—	189.6	189.6	—	131.5	3.6	1.7
THAILAND *(million baht)*											
1964/65	A	11 066	9 908	1 238	—	3 159	2 779	380	3 833	182	1 496
1965/66	A	12 513	11 075	1 388	—	3 596	3 200	396	4 538	229	1 324
1966/67	A	14 592	12 948	1 672	—	4 557	4 230	327	5 252	274	1 193
1967/68	DE	16 080	14 461	1 816	—	4 050	3 733	317	6 467	246	1 882
1968/69	DE	17 529	15 791	1 980	—	4 890	4 665	225	7 170	327	1 424
VIET-NAM, Republic of *(million piastres)*											
1964	A	13 041	11 397	706	92	5 199	…	…	4 155	1 092	153
1965	A	16 284	13 648	1 169	79	5 705	…	…	5 472	1 059	164
1966	A	27 667	24 165	1 552	81	11 674	…	…	8 496	2 131	231
1967	A	45 672	32 310	3 001	89	15 166	…	…	10 833	2 854	367
1968	DE	43 587	30 840	1 867	—	13 000	…	…	12 086	3 460	427
AUSTRALIA *(million Australian dollars)*											
Commonwealth Government											
1964/65	A	4 080	3 786	2 340	—	268	268	—	994	—	184
1965/66	A	4 500	4 185	2 587	—	271	271	—	1 122	—	205
1966/67	A	4 762	4 454	2 774	—	275	275	—	1 187	—	218
1967/68	A	5 268	4 913	3 094	—	312	312	—	1 272	—	235
State and local governments											
1964/65	A	1 371	803	245	63	—	—	—	…	105	390
1965/66	A	1 478	871	267	70	—	—	—	…	110	424
1966/67	A	1 625	967	295	73	—	—	—	…	127	472
1967/68	A	1 789	1 083	327	76	—	—	—	…	159	521
JAPAN *(billion yen)*											
1964/65	A	4 063	3 824	2 428	—	220	…	…	916	78	182
1965/66	A	4 465	4 195	2 727	—	222	…	…	910	83	253
1966/67	A	5 044	4 729	3 115	—	256	…	…	1 011	95	252
1967/68	RE	5 970	5 596	3 713	—	318	…	…	1 161	126	278
1968/69	DE	6 875	6 467	4 277	—	320	…	…	1 355	173	342
NEW ZEALAND *(million New Zealand dollars)*											
1964/65	A	955.1	844.3	565.3	2.6	114.5	114.5	—	76.9	20.1	64.9
1965/66	A	1 040.4	917.4	624.7	3.2	121.7	121.7	—	76.6	21.3	69.9
1966/67	A	1 108.9	987.3	681.9	3.5	126.7	126.7	—	78.9	21.6	74.7
1967/68	E	1 155.5	1 012.4	694.5	4.4	131.1	131.1	—	75.4	19.7	87.3
1968/69	E	1 171.7	1 024.9	697.0	3.0	133.0	133.0	—	80.0	20.1	91.8

36. MAJOR COMPONENTS OF GOVERNMENT EXPENDITURE

	Type of account	Total expenditure	CURRENT EXPENDITURE						Loans and advances (net)
			Defence	Economic services	Social services	Contributions to provincial and local gov'ts	Other current expenditure	Investment	
AFGHANISTAN *(million afghanis)*									
1964/65	A	7 406	664	213	515	...	1 044	4 970	...
1965/66	A	10 430	...	219	569	...	1 942	7 700	...
1966/67	A	9 317	...	254	669	...	2 467	5 927	...
1967/68	E	8 009	1 200	279	719	...	276	5 535	...
1968/69	E	8 782	1 230	293	782	...	382	6 095	...
1969/70	E	9 967	1 260	301	853	...	398	7 155	...
BRUNEI *(million Malaysian dollars)*									
1964	A	75.5	8.7	7.1	12.7	—	22.6	24.4	
1965	A	116.6	29.3	10.1	17.4	—	35.0	24.8	
1966	A	150.8	32.3	13.3	20.9	—	36.5	47.8	
1967	DE	154.1	27.9	14.6	22.9	—	39.3	49.4	
BURMA *(million kyats)*									
1964/65	A	1 427	512	122	230	14	342	220	–13
1965/66	A	1 410	508	127	271	10	299	209	–14
1966/67	A	1 482	486	135	297	10	306	251	–3
1967/68	RE	1 520	505	139	329	12	342	217	–24
1968/69	DE	1 571	531	145	342	12	365	195	–19
CAMBODIA *(million riels)*									
1964	E	6 245	1 963	282	1 479	...	2 161	343	17
1965	E	6 100	1 846	323	1 714	...	1 353	528	336
1966	E	7 000	1 526	296	1 806	...	...	506	...
1967	E	6 686	1 782	...	...	...	...	...	...
CEYLON *(million rupees)*									
1964/65	A	2 000	61	419	535	38	439	509	–1
1965/66	A	2 140	64	417	548	46	465	555	45
1966/67	A	2 294	67	379	567	42	507	657	75
1967/68	DE	2 576	76	469	645	52	578	758	–2
1968/69	DE	2 927	82	549	681	65	622	901	32
HONG KONG *(million Hong Kong dollars)*									
1964/65	A	1 450	34	106	394	—	253	595	68
1965/66	A	1 750	65	124	464	—	255	801	41
1966/67	A	1 764	67	132	527	—	296	713	29
1967/68	A	1 744	89	145	568	—	349	543	50
1968/69	RE	1 890	87	166	668	—	444	492	33
1969/70	DE	2 064	94	188	732	—	460	555	35
INDIA *(million rupees)*									
Central Government									
1964/65	A	35 781	8 058	1 999		2 671	4 939	8 500	9 614
1965/66	A	40 897	8 848	2 149		2 975	5 618	8 713	12 594
1966/67	A	47 767	9 086	2 329		3 575	8 783	9 877	14 117
1967/68	RE	47 554	9 701	2 718		4 155	8 994	8 434	13 552
1968/69	DE	48 409	10 153	2 983		4 006	8 426	9 873	12 968
States									
1964/65	A	22 732	—	3 638	4 486	—	6 717	5 017	2 874
1965/66	A	27 213	—	4 461	5 216	—	7 892	5 393	4 251
1966/67	A	29 468	—	4 650	5 907	—	9 811	5 789	3 311
1967/68	RE	31 977	—	5 212	7 074	—	11 033	5 708	2 950
1968/69	DE	32 078	—	5 503	7 626	—	11 370	5 786	1 793
INDONESIA *(million new rupiah)*									
1964	PR	681.3	195.2	40.7	41.4	—	144.9	259.1	—
1965	PR	2 526.3	1 009.1	193.8	108.6	—	354.6	860.2	—
1966	PR	28 610	2 574	...	...	...	...	2 130	...
1967	PR	87 500	2 172	...	...	...	...	17 500	...
1968	RE	185 200	...	...	...	...	...	35 500	...
IRAN *(million rials)*									
1964/65	PR	74 725	17 163	347	...	—	37 283	14 660	5 272
1965/66	PR	99 900	22 200	328	...	—	45 672	31 700	
1966/67	PR	108 800	24 400	6 431	21 854	—	18 415	37 700	
1967/68	PR	137 100	34 400	7 379	24 439	—	22 882	51 000	
1968/69	E	181 900	41 400	8 373	26 283	—	31 944	73 900	
KOREA, Republic of *(billion won)*									
1964	A	87.79	24.93	2.69	17.32	2.32	11 89	21.64	7.00
1965	A	106 11	29.88	3.72	19.99	3.02	13.76	27.35	8.39
1966	A	166.37	40.67	5.59	28.33	8.66	19.54	45.29	18.29
1967	RE	228.79	50.04	7.27	36.68	18.95	25.19	66.20	24.46
1968	DE	260.96	60.44	9.36	46.02	23.86	29.20	71.19	20.89
LAOS *(million kip)*									
1964/65	DE	3 155	77	98	774	...	1 019	1 187	...
1965/66	DE	14 451	8 437	173	894	...	2 752	2 195	...
1966/67	DE	15 283	8 345	185	1 905	...	3 836	1 012	...
1967/68	DE	15 933	8 261	313	1 773	...	4 279	1 307	...
1968/69	DE	15 808	8 219	284	1 860	...	4 157	1 288	...

36. MAJOR COMPONENTS OF GOVERNMENT EXPENDITURE *(Cont'd)*

	Type of account	Total expenditure	CURRENT EXPENDITURE					Investment	Loans and advances (net)
			Defence	Economic services	Social services	Contributions to provincial and local gov'ts	Other current expenditure		
MALAYSIA *(million Malaysian dollars)*									
1964	A	1 831	227	67	381	122	442	—— 592 ——	
1965	A	2 090	298	69	426	128	534	635	
1966	A	2 210	376	67	474	149	531	613	
1967	RE	2 448	378	80	521	146	575	748	
1968	DE	2 592	377	83	540	163	607	822	
NEPAL *(million rupees)*									
1964/65	A	349.9	28.2	14.0	12.1	...	63.7	231.9	...
1965/66	RE	441.5	29.2	14.9	14.2	...	94.1	289.1	...
1966/67	DE	546.2	...	...	...	...	...	376.4	...
PAKISTAN *(million rupees)*									
Central Government									
1964/65	A	5 108	1 263	...	48	35	1 389	801	1 572
1965/66	A	6 417	2 855	...	36	45	1 285	1 102	1 094
1966/67	A	6 910	2 294	...	43	39	1 315	1 180	2 039
1967/68	RE	7 752	2 230	...	56	183	1 836	1 237	2 210
1968/69	DE	8 823	2 450	...	62	40	1 966	1 395	2 910
States									
1964/65	A	4 152	—	705	486	—	1 294	730	937
1965/66	A	3 867	—	668	525	—	1 507	455	712
1966/67	A	5 224	—	744	560	—	1 467	623	1 830
1967/68	DE	5 790	—	959	589	—	1 620	710	1 912
1968/69	DE	7 217	—	1 356	663	—	1 759	1 216	2 223
PHILIPPINES *(million pesos)*									
1964/65	A	2 259	296	420	738	229	327	222	27
1965/66	A	2 357	324	386	838	213	373	180	43
1966/67	A	2 762	380	449	916	286	378	337	16
1967/68	RE	2 942	393	461	910	326	360	474	18
1968/69	DE	3 370	411	526	1 038	463	370	554	8
SINGAPORE *(million Singapore dollars)*									
1964	A	463.1	—	15.7	204.2	—	64.4	178.8	—
1965	A	534.5	0.1	28.1	217.0	—	90.3	199.0	—
1966	A	678.2	14.1	22.3	235.5	—	181.7	124.6	100.0
1967	A	683.4	43.7	29.8	246.0	—	180.3	124.7	83.7
1968	DE	864.5	63.6	31.1	273.3	—	176.1	193.6	126.8
1969/70	DE	1 273.4	292.5	46.7	349.8	—	259.3	183.3	141.8
THAILAND *(million baht)*									
1964/65	A	11 915	1 877	1 105	2 588	309	2 821	3 071	144
1965/66	A	13 558	2 055	1 278	2 861	301	3 184	3 750	129
1966/67	A	16 880	2 437	1 585	3 427	360	4 097	4 762	212
1967/68	DE	21 130	3 262	1 728	3 768	328	5 578	6 326	140
1968/69	DE	23 324	3 764	1 940	4 412	320	6 026	6 581	281
VIET-NAM, Republic of *(million piastres)*									
1964	RE	37 110	18 868	4 491	3 205	...	5 691	4 855	...
1965	RE	51 270	29 634	6 771	5 111	...	3 304	6 450	...
1966	RE	64 500	42 807	1 924	4 754	...	8 846	6 169	...
1967	DE	83 000	47 117	1 947	6 574	...	17 742	9 620	...
1968	DE	95 000	62 464	2 315	9 532	...	8 612	12 077	...
AUSTRALIA *(million Australian dollars)*									
Commonwealth Government									
1964/65	A	3 894	542	118	952	775	669	605	234
1965/66	A	4 395	725	128	1 014	876	787	652	213
1966/67	A	4 916	846	144	1 123	965	855	710	273
1967/68	A	5 491	983	155	1 183	1 057	930	846	336
State and local governments									
1964/65	A	3 126	—	78	884	—	634	1 426	104
1965/66	A	3 469	—	86	966	—	720	1 592	105
1966/67	A	3 708	—	97	1 073	—	759	1 679	100
1967/68	A	3 988	—	106	1 194	—	829	1 752	106
JAPAN *(billion yen)*									
1964/65	A	3 881	281	142	893	1 077	473	1 006	9
1965/66	A	4 465	307	173	1 073	1 232	569	1 102	9
1966/67	A	5 259	347	275	1 273	1 371	645	1 337	11
1967/68	RE	6 387	389	338	1 307	1 571	980	1 789	13
1968/69	DE	7 166	424	342	1 478	1 793	1 078	2 036	15
NEW ZEALAND *(million New Zealand dollars)*									
1964/65	A	1 084.3	71.5	68.3	400.2	106.2	163.1	202.4	72.6
1965/66	A	1 174.5	78.8	74.3	424.0	119.8	177.1	230.2	70.3
1966/67	A	1 284.9	86.1	78.2	451.4	131.0	250.1	251.8	81.3
1967/68	E	1 316.7	87.1	56.4	608.5	130.8	110.5	—— 323.4 ——	
1968/69	E	1 367.0	96.1	55.3	637.6	138.1	129.1	310.8	

GENERAL NOTES:

(for tables 34 to 36)

A = Accounts, E = Estimates, DE = Draft estimates, RE = Revised estimates, PR = Provisional results.

Figures generally relate to central government transactions only unless otherwise stated.

In general, only the net results of public enterprises and fiscal monopolies are included; positive balances are shown under revenue and negative balances under expenditure. Currency and mint transactions are excluded. Interest charges to public enterprises and entities are included in revenue and not deducted from interest payments on the expenditure side.

REVENUE

Total revenue: excluding proceeds from loans, other forms of borrowing, grants and aid, transfers from reserve funds, and counterpart funds.

Transaction and consumption taxes: excise duties, turnover taxes, sales taxes, and entertainment duties.

EXPENDITURE

Total expenditure: including current expenditure, capital outlays and loans and advances (net) granted by the government but excludes debt redemption, contributions to sinking funds and transfers to reserve funds.

Defence: including defence capital outlay. Expenditure on military pensions is included in "other current expenditure".

Economic services: including current expenditure on agriculture, forests, industrial development, scientific and technical research, irrigation, public works, ports, lighthouses, commerce, planning, and price subsidies etc.

Social services: including current expenditure on education, health, social welfare, relief, etc.

Contributions to provincial and local governments: including contributions towards meeting current expenditures.

Investment: covers capital outlays of public works department, including maintenance, and of government enterprises and other departments and grants to provinces and local authorities for the same purposes.

Loans and advances (net): mainly granted to provinces, local authorities, public and private undertakings for capital outlay.

COUNTRY NOTES:

AFGHANISTAN

Expenditure: including debt service. Defence: excluding foreign aid. Investment: development expenditure including foreign assistance.

BURMA

Revenue: other tax revenue: including contributions from the State Marketing Boards. Japanese reparation receipts are excluded.

Expenditure: Contributions to provincial and local governments: including some capital expenditure for economic development.

CAMBODIA

Economic services and social services: including capital expenditure. Investment: expenditure on public works and telecommunications only.

CEYLON

Revenue: Tax on income and wealth: including pension contribution from government employees. Other tax revenue: mainly monopoly profits.

Expenditure: Economic services: including food subsidies.

INDIA

Central government: Revenue: excluding taxes transferred to the states.

Expenditure: excluding transactions of state trading schemes. Economic and social services: Social and economic developmental services. Investment: including capital transferred to displaced persons and minor amounts to private enterprises. Loans and advances (net): mostly to state governments, local governments, and government enterprises.

States: Total revenue: excluding loans but including grants received and taxes transferred from the central government.

Expenditure: Social services: expenditure on education and health only. Loans and advances (net): loans to municipalities, local bodies etc.

INDONESIA

Revenue: Other tax revenue: including foreign exchange levies, motor-vehicle licence fees and others.

Expenditure: Economic services: including certain capital expenditure. Investment: covers total expenditure of communication and public works and energy and financing services up to 1965; covers development expenditure for 1966-1968.

IRAN

Land tax: included under tax on income and wealth. Other tax revenue: includes oil revenue, monopoly profits etc.

Expenditure: Economic services: subsidies for price and income stability only up to 1965/66. Investment: includes capital outlay of Plan Organization and other direct capital outlay. Loans and advances (net): includes grants and loans to government enterprises and nationalized industries for capital purposes.

KOREA, REPUBLIC OF

Revenue: Other tax revenue: including tax on foreign exchange.

Expenditure: Social Services: including transfers to local school authorities. Loans and advances (net): including purchases of ownership rights.

LAOS

Expenditure: Defence: excluding foreign aid. Other current expenditure: includes unforeseen expenditures, transportation expenses, etc. which could not be distributed. Investment: developmental expenditure.

MALAYSIA

Figures relate to the Federal revenue and expenditure of Malaysia comprising East and West Malaysia and Singapore for 1964 and 1965, and excluding Singapore in 1966. The Federal shares of revenue and expenditure are based on the constitution in accordance with which Malaysia was established in September 1963, and the shares received from Singapore amounted to 120 and 88 million Malayan dollars in 1964 and 1965 respectively. Transactions of post and telecommunications are included on a gross basis.

Expenditure: Contributions to provincial and local gov'ts: grants to states. Investment, loans and advances (net): special expenditure, public works, telecommunications, and development expenditure.

NAPAL

Expenditure: Investment: developmental expenditure.

PAKISTAN

Central Government.

Revenue: excluding receipts from sales of foreign aid fund supplies. Total tax revenue: excluding taxes transferred to state governments.

Expenditure: including expenditures met from railway, postal development and other funds, excluding currency capital outlays and state trading schemes. Social services: expenditure on education and health only. Contributions to provincial and local governments: grants to states other than those met from funds, mainly for development but also general grants for meeting current expenditures.

States: Covers West Pakistan including Baluchistan, and East Pakistan; excluding transactions of state trading schemes.

Revenue: including taxes and grants, but excluding loans from the Central government.

Expenditure: Economic services: including development expenditure met from revenue.

PHILIPPINES

Budget includes apportionment of internal revenue to provinces.

Revenue: Import duties: include excise duties on imports. Transaction and consumption taxes: consist of excise taxes on domestic products and forest products. Licences, stamp duties, registration fees, etc.: consist of licences and business taxes, and documentary stamps.

SINGAPORE

Revenue: 1964 and 1965 figures include the share of revenue paid to Malaysian Government up to the day of separation in August 1965.

Expenditure: Investment: public works and developmental expenditure.

1969-70: fiscal year covers 1 January 1969 to 31 March 1970.

THAILAND

Revenue: Tax on income and wealth; income tax and automobile taxes. Other tax revenue: including profits from rice export monopoly, aliens and gambling fees.

VIET-NAM, REPUBLIC OF

Expenditure: Investment: developmental expenditure.

AUSTRALIA

Commonwealth Government: Contributions to provincial and local gov'ts: including grants for capital expenditure.

State and local governments: Revenue: excluding grants and advances from Commonwealth Government.

Expenditure: including expenditure met from grants and advances from Commonwealth Government.

JAPAN

Central government excluding government trading and financial enterprises; figures represent transactions of General Account and some special accounts of an administrative character.

Revenue: Transaction and consumption taxes: excise and commodity taxes and profits of monopolies.

Expenditure: Other current expenditure: including capital transfers abroad (mainly reparations). Investment: including reserves in 1967/68 and 1968/69 amounting to 236 and 361 thousand million yen respectively.

NEW ZEALAND

Data cover the whole central government sector including government enterprises and dependent administrative bodies. Tax on income and wealth: includes income tax, social security taxes and taxes on wealth. Customs duties: include excise duties. Transaction and consumption taxes: sales tax. Licences, stamp duties, registration fees etc.: stamp duties and racing tax. Other tax revenue: mainly motor spirits taxation.

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